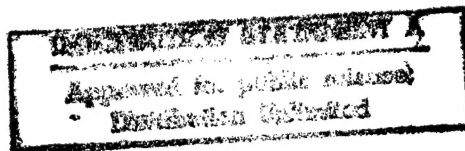


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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2322

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IMPLEMENTATION OF LONG-RANGE CEMA PROGRAMS DESCRIBED

East Berlin AW--DDR--AUSSENWIRTSCHAFT in German Vol 10 No 29, 14 Jul 82 pp 1-2

['AW Economic Policy Information' report, based on CEMA materials, by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Implementation of Long-Range Target Programs in the Focus of CEMA Work"]

[Text] The comprehensive program, the long-range target programs of cooperation as well as the decisions of the council meetings, continued to be implemented according to plan in the past year. Numerous and comprehensive activities of the CEMA countries and CEMA organs hide behind this statement of the 36th council meeting.

A focal point was even better use of the possibilities of international production specialization and cooperation, a closer interconnection between science, technology and production, as well as improving multilateral cooperation. The activity of the council organs gains concrete expression in analytic and prognostic work, and in the preparation and conclusion of agreements stemming from the long-range target programs. To date 155 agreements were signed by interested countries and an additional 35 agreements have been prepared.

Expansion and Effective Use of the Raw Material, Fuel and Energy Base

A point of major effort was, and still is, the solving of problems of raw materials, fuels and energy, and more effective utilization of resources. Increasing the share of nuclear energy in the production of electricity and heat is considered by the CEMA countries to be one of the most important directions in the development of energy economy. Output by operational nuclear power plants increased in the past year by 2,880 MW, and in the People's Republic of Bulgaria, in the GDR, USSR and CSSR it reached a total of 19,500 MW. Energy production in nuclear power plants amounted to 110 billion kWh. By comparison, more than 35 million tons of standard fossil fuel would be necessary to produce this amount of energy. In the past year, further measures were introduced toward implementation of the general agreement on cooperation among countries interested in the construction of the nuclear power plant at Chmelnizki in the USSR, and of the agreement on construction and operation of the 750-kV. Chmelnizki-Rzeszow powerline (People's Republic of Poland). Construction of the nuclear power plants at Paks in the People's Republic of Hungary, Koslodui in the People's Republic of Bulgaria, Bohunice and Dukovany in the CSSR were continued, also the planning and construction of the first nuclear power plants in the Republic of Cuba, in the People's Republic of Poland and in the Socialist Republic of Romania.

The CEMA Commission on Electric Energy analyzed the parallel operation of the United Energy Systems with the Uniform Energy System of the USSR, which became possible through the 750-kV Winniza-Albertirsa powerline, operable since 1979. The operating performance of this interlocking system reached 300,000 MW, of which about 140,000 MW are coordinated by the central dispatch office of the United Energy Systems of the CEMA countries in Prague. Mutual exchange of electric energy amounted to 32 billion kWh in the past year. On the recommendation of the 35th council meeting, a concept for prospective development of the electric energy economy within the framework of the United Energy Systems until the year 2000 is being evolved.

Besides the development of the energy base, special attention is being focused on the more effective use of fuels and energy as well as greater inclusion of local fuel and hydroelectric resources in the fuel and energy balance of the CEMA countries. In this regard, the CEMA Commission on Electric Energy took up the elaboration of a program for the more effective operation of existing power plants through use of large energy blocks for modernizing major energy equipment and heat systems, and the introduction of optimal organizational structures of direction and operation of heat power plants.

Cooperation in the coal industry concentrated on technical solutions for site development and exploitation of new deposits. Four multilateral agreements on scientific-technological cooperation were signed. They concern, among other things, perfection and development of new, more effective technologies and technical means for the operation of coal pits at great depths and under complicated geological conditions. On the basis of the quadrilateral agreement (Hungary, Poland, USSR, CSSR), and with the inclusion of other interested countries, cooperation in developing production of modern mining technology through division of labor was continued. Mining equipment requirements were formulated more precisely. The USSR prepared an agreement on production cooperation.

The CEMA Commission on Petroleum and Gas Industries worked out proposals on a possible expansion of cooperation in order to better cover the needs of CEMA countries for petroleum, natural gas and petroleum products up to 1990 and beyond. The proposals also include equipping the petroleum and gas industries with highly efficient installations. The People's Republic of Bulgaria, the People's Republic of Hungary, the GDR, the Republic of Cuba, the People's Republic of Poland, the Socialist Republic of Romania, the USSR and the Socialist Federative Republic of Yugoslavia concluded an agreement on scientific-technical cooperation for the improvement of technologies relating to the extraction of petroleum and gas, as well as that of methods and technical means for increased exploitation. A focal point of the commission's work was also the problem of deep oil fissures.

In the CEMA Commission on Pig Iron Metallurgy, organizing cooperation in material production was the major concern. On the agenda were further technical and organizational questions regarding the intended establishment of a mining and enrichment combine in Krivoy Rog by interested CEMA countries.

The major directions of cooperation by countries interested in the development and intensification of international production specialization and cooperation in the ironworks industry, and the corresponding work program until 1990, were confirmed.

Numerous Agreements Intensify Cooperation in Chemical Industry

Implementation of the measures of the comprehensive program and of the long-range target programs concerning the chemical, cellulose, paper and microbiological industries, were at the center of activity of the CEMA Commission on Chemical Industry. Above all, it was a matter of extension and supplementation of agreements that proved effective in the past. Accordingly, in 1981 the protocols concerning extension and supplementation of the agreements on international specialization and cooperation in the production of pharmaceutical products, synthetic dyes and semifinished products, products of the tire industry, accessory material for the textile, leather, cellulose and paper industries as well as for cigarette paper, were signed. In addition, seven agreements on specialization and cooperation in the production of, among other things, materials of manmade fibers, some rubber products, and raw materials for the production of cosmetic products, were prepared.

Great attention was also paid to scientific-technological cooperation. Several related agreements were signed in 1981. In the past year, 130 joint research projects were concluded, of which 20 are already production effective. The general agreement and the bilateral agreements on specialization and cooperation in the production of energy-intensive and less energy-intensive chemical products were also resolutely implemented. In the majority of participating countries, production has increased considerably, and deliveries have risen accordingly. In 1981, cellulose shipments from the Ust-Ilim integration project were delivered in the agreed-upon amounts to the People's Republic of Bulgaria, the People's Republic of Hungary, the GDR, the People's Republic of Poland and to the Socialist Republic of Romania.

Within the framework of the commission, questions about possible cooperation of CEMA countries interested in the development of the phosphorite deposit at Chubsugul in the People's Republic of Mongolia were discussed, and consultations on the efficient use of plastics and synthetic resin plastics were carried on.

Ensuring a High Technical Level in Mechanical Engineering

The growing technical requirements of other branches of industry result in high functional demands on mechanical engineering. The Executive Committee reaffirmed the major directions of economic and scientific-technical cooperation in mechanical engineering, which are to provide a considerable boost in effectiveness and comprehensiveness of international production specialization, the development of standardization and unification, an increase in the technical level of the specialized products as well as further development and intensification of direct relations between the organizations,

on a contractual basis. In accordance with the established priorities, the CEMA Commission on Mechanical Engineering elaborated proposals for joint development as well as specialization and cooperation in the production of modern machinery and equipment, such as:

- equipment for open-pit mining and the construction of pipelines;
- machines and equipment which ensure efficient utilization and economical consumption of raw materials and energy;
- machine systems including automatic, programmed manipulators to replace manual labor in loading and unloading, in transport, warehouse and unskilled labor, and in other labor-intensive activities;
- highly productive precision cutting machine tools and foundry equipment;
- machine systems for the comprehensive mechanization of agriculture and for efficient food processing.

The commission also worked out methods and criteria for a systematic analysis of the technical level and the quality of specialized products, as well as for establishing measures to improve technical-economic parameters and to raise quality. On the basis of these methods, it was recommended that the [various] elements of the commission, in preparing agreements on multilateral production specialization and cooperation, systematically compare the technical level and quality of the products with the best equivalent products available around the world, and that they include in the agreements measures for further improvement of the technical-economic parameters of specialized products.

In the field of radio technology and electronics industry, the corresponding CEMA commission concentrated its efforts on the implementation of measures arising especially from long-range target programs of cooperation in mechanical engineering and from the production of consumer goods. Thus the general agreement signed at the 35th council meeting concerning the creation of a uniform, unified base for products of electronics technology, special technological equipment, as well as semiconductors and special materials, was readied for their production.

Agreements on scientific-technical cooperation in the development of new technological processes and equipment for the production of color television sets were also prepared and signed. Bulgaria, Hungary and the USSR worked out the draft of an agreement on scientific-technical cooperation in the development of touch-dial telephones on the basis of the greatest possible unification of parts.

Comprehensive Solutions for the Improvement of Food Production

The CEMA Commission on Light Industry did extensive work toward greater cooperation in the area of consumer-goods production. Agreements were signed, among other things, on scientific-technical cooperation in the development of high-grade synthetic furs and on cooperation in expanding the production and interchange of selected furniture fixtures, and proposals were developed on cooperation in the use of textile scraps, especially those that contain manmade fibers.

In the food-processing industry, the CEMA countries concentrated their cooperation on the solution of scientific-technical problems and on questions of efficient use of raw-material resources. The CEMA Commission on the Food-Processing Industry, in accordance with other commissions, evolved measures of cooperation in the comprehensive solution of the following problems:

- upgrading the quality of food;
- stable supply of the food-processing industry with high-quality raw materials;
- equipping the food-processing industry with modern, highly productive technology.

These measures include, among other things, raising nutritional value and the development of foods of high quality; selection and genetics in plant breeding and animal husbandry; the development and specialized production of complete machine systems for the efficient processing of agricultural products; and advanced packing materials as well as the comprehensive development of the refrigeration industry.

Proposals were prepared for joint development, specialization and cooperation in the production of modern machine systems for the comprehensive processing of meat, milk, oleaginous fruit, sugar beets, fruit and vegetables on the basis of unified structural components and parts. The nomenclature and technical requirements, as well as the countries' needs for selected technological equipment for the fishing industry for the period until 1990, were also agreed on.

The CEMA Commission on Agriculture developed proposals for cooperation in lowering losses and raising the quality of grain in all its stages of processing, drying and storing, as well as in the wider application of advanced know-how and technologies in the cultivation of grain. Proposals on development, specialization and cooperation in the production of machine systems for the comprehensive mechanization of agriculture were endorsed.

9917

CSO: 2300/382

CAUSES OF CEMA TRADE SLOWDOWN SUMMARIZED

Warsaw POLITYKA in Polish No 27, 21 Aug 82 Suppl p 18

[Article by (JP): "On Slackened Turnover"; prepared on the basis of: "Economic Survey of Europe in 1981" (prepublication text), Chapter 3: "Recent Economic Developments and Five-Year Plans in Eastern Europe and the Soviet Union," Geneva, March 1982; passages enclosed in slantlines printed in bold-face]

[Text] /From 1976 to 1980, there was a slow-down in economic growth in the socialist countries. What were its causes? In this article, we summarize the analysis contained in the extensive treatment prepared by the Economic Commission for Europe of the United Nations, "Economic Survey of Europe in 1981."/

During the above period, the entire worldwide economy was at a standstill, which affected the socialist countries and the Soviet Union as well. However, the economic results achieved by them exceeded the worldwide average, if to a lesser degree than in previous periods. The average yearly growth rate of the net material product (NMP) was 4.1 percent. By comparison with the year 1975, this product was 22 percent higher in 1980. In spite of certain individual differences, they were similar in the European countries (an average annual growth rate of 3.9 percent) and in the USSR (4.2 percent).

If we exclude Poland from this assessment, due to its very special problems (a planned growth rate of 7-7.3 percent, a real growth rate of 1.2 percent), the index for socialist Europe is 5 percent annually, or more than 1 point higher than the world average. In the USSR, the increase was 4.4 percent, which was also higher than the average.

The gap between countries with the highest and lowest rate of growth, which was already considerable between 1971 and 1975, increased. At that time it was 2:1 (an 11.3 percent growth rate in Romania and a 5.4 percent growth rate in the GDR). Between 1976 and 1980 its ratio was 2.25:1 (7.2 percent in Romania and 3.2 percent in Hungary). If we look at Poland (1.2 percent), the ratio is 1:6. Between 1976 and 1980, the highest growth rate was achieved by the following (in order): Romania, Bulgaria (6.1 percent), the USSR (4.2 percent), the GDR (4.1 percent), the CSR (3.7 percent) and Hungary (3.2 percent).

If we analyze this in a broader historical context, /the most characteristic feature is a clear slowing of the rate of economic growth/ from 1976 to 1980, a tendency evident in the changes in the growth rate from year to year. We note this decline in all countries except the GDR. While it continued throughout the period in Poland and Romania, it reversed itself in other countries only during 1 or 2 years.

/The slowdown of growth from 1976 to 1980 is in effect the manifestation of a long-term tendency./ For the seven countries treated together, the slackened rate is an enduring phenomenon. It is also true of the following countries taken separately: Bulgaria, Czechoslovakia, Hungary and the USSR. If we exclude the Soviet Union, the declining trend from 1976 to 1980 reverses the growth trend of the previous 5-year period. However, this issues primarily from the exceptionally high growth indexes noted from 1971 to 1975 by Poland (9.8 percent yearly average) and Romania (11.3 percent). /In these countries, the growth slowdown occurred very suddenly (a decline of the average growth rate from 9.8 percent to 1.2 percent in Poland and from 11.3 percent to 7.2 percent in Romania)./

There are various reasons for the slowdown of development. /The factor most often blamed for limiting expansion on the former level is the availability of manpower./ While this problem does not affect all countries equally, it is very important. Between 1976 and 1980, the population engaged in production increased in East European countries by approximately 572,000, or an increase of only 23.3 percent over 1971-1975. In the USSR, the increase from 1976 to 1980 was approximately 8.1 million, or a 27.7 percent decrease from 1971-1975. The economic effect of these demographic phenomena was exacerbated by the fact that from 1976 to 1980, employment in the material production sphere increased much slower than employment in the entire economy.

Another factor slowing growth is /limitation in deliveries of raw and other materials and the growing costs of acquiring them./ Due to its tremendous resources, the Soviet Union is in a better position than other countries. However, gaining access to these riches requires tremendous expenditures in regions east of the Urals.

/Growth is also restricted in the investments sphere. From 1971 to 1975, the share of investments in the national income (measured by the ratio of net investment to the ratio of NMP) was very high (32.5 percent in Bulgaria, 29.2 percent in the CSR, 22.3 percent in the GDR, 27.7 percent in Hungary, 34.1 percent in Poland and 26.6 percent in the USSR. From 1976 to 1980, investments rose considerably slower than earnings; thus, their share in income declined. /In order to overcome the resultant limitation on investment, practically all countries have increased their investment potential by obtaining foreign loans. This has increased their indebtedness by \$43 billion./

Due to limited availability and the growing costs of major production elements (manpower, raw and other materials and investment potential), economic development from 1976 to 1980 to a great extent was contingent upon efficient utilization. Economic plans, which aspired toward this efficiency, assumed

that an increase in labor productivity would increase the NMP in the USSR by 75 percent, in Bulgaria and Hungary, by 100 percent, and in the remaining countries, by a percentage lying somewhere between these two indexes. If we compare the planned and actual increase in the NMP, we see that in the USSR the plan was fulfilled 89 percent; in the GDR, 82 percent; in Bulgaria, 79 percent; in the CSSR, 76 percent; in Romania, 69 percent; in Hungary, 58 percent, and in Poland, only 17 percent of the plan was fulfilled. The increase in labor productivity was also lower than planned: it rose 9 percent in the USSR, 18 percent in the GDR, 21 percent in Bulgaria, 27 percent in the CSSR and 33 percent in Hungary and Romania. In Poland, the real growth in labor productivity was less than 28 percent of the planned growth. /A comparison of the two indexes shows a close correlation between slow growth of labor productivity and the slackened rate of economic development./

A similar trend is evident in the field of investment effectiveness. If we compare the planned and the actual amount of gross investment per unit of NMP increase, the planned level is exceeded 31 percent in the GDR, 32 percent in Romania, 42 percent in Czechoslovakia, 45 percent in Bulgaria, and 48 percent in Hungary. In Poland, the index of the increase in gross investment compared with the increase in the national income rose only slightly, but this is due to the absolute decline in the level of investment from 1979 to 1980 rather than the higher effectiveness of investment.

In order to surmount the negative effects of the declining productivity of capital, practically all countries have increased investment over the planned level. Since their share in the national income is already considerable, many additional investments have been financed by foreign loans. Meanwhile, the indexes of real wages and real per capita income rose slower than planned in five-year plans (with the exception of the GDR).

The various causes of the above declining trends are described in reports of the fulfillment of plans, in guidelines for the years 1981-1985 and in numerous publications on the subject of economic strategy. The following causes are usually given:

1. the relatively higher level of economic development already attained;
2. the growing shortages and costs of energy and raw materials;
3. the especially unfavorable climatic conditions for farming during the past 5-year period;
4. a worsening of the situation in international trade;
5. shortcomings in the system and methods of management, particularly inertia in attitudes and actions based on obsolete methods of management, more fitting for a period of extensive development.

The importance of these factors varies in particular countries. For example, one cannot explain the general phenomenon of a slow increase in the NMP and labor productivity in terms of the already attained level of development.

Socialist economists reject this argument, since the literature discusses the economies of developed countries. Moreover, the level of economic development of East European countries varies.

The argument that conditions for farming were extremely unfavorable is correct. However, as we have learned in discussions, bad weather is a regular occurrence and climatic conditions should be treated like other objective conditions of development. If they are unfavorable, they must be counteracted with the use of the appropriate agricultural engineering methods and by means of improved management.

Regarding foreign trade, terms of trade actually worsened for most East European countries following the escalation of energy prices in 1973. However, they improved for the USSR.

Many factors have had a negative impact on the development of centrally planned economies. However, they have impacted differently on different countries, and thus cannot be explained in terms of common tendencies. There is more and more criticism in the socialist countries of the fact that economic development continues to have an extensive character, despite the fact that the extensive factors of growth are exhausted. Management is still not adapted to more intensive processes of development; there is still the tendency to grant priority to quantitative gross measures over qualitative net measures. However, there are signs that these negative trends can be overcome. We may draw an important conclusion from the experiences of an earlier period--the 1966-1970 period. With few exceptions, this was the best period of economic development for the socialist countries, especially in the sense of the qualitative criteria applied more and more in planning and economic assessments. At the same time, it is true that the achievements of that period were associated with changes in management defined in political documents and in the literature as economic reforms. By the same token, the insufficient, partial and slow adaptation of management to changing internal and external conditions of economic development is a major factor underlying our present difficulties and the shortages in some countries. This assessment does not question many of the achievements of the socialist countries, but defines the challenge to them that the future holds.

8536

CSO: 2600/877

NEED FOR IMPROVED ECONOMIC-FINANCIAL MANAGEMENT

Tirana RRUGA E PARTISE in Albanian Apr 82 pp 12-21

[Article by Andrea Nako: "Improvement of Economic-Financial Management Always Stands in the Center of Attention"]

[Text] The party has always attached particular attention and care to the problems of the scientific management and organization of the economy, seeing and handling them on the basis of requirements of the objective economic laws of socialism and of the conditions under which we are building the entire socialist society. Recently in particular, several measures have been adopted to further improve methods of managing our socialist economy, everywhere reinforcing the party leadership in the problems of production, distribution and economic-financial administration. This has made it possible for our economy, even under the conditions of the fierce imperialist-revisionist blockade, to develop at high and durable rates and to continuously improve its effectiveness, relying only on domestic socialist accumulation and successfully confronting the pressures and negative effects of the economic and financial crisis of the capitalist, bourgeois and revisionist world, which cannot fail to influence our country, in one way or another, through the trade relations which we have with foreign countries.

Suffice it to mention that the general social production of 1980 was 3.8 times higher than in 1960 and 11.4 times higher than in 1950 while the population during these periods increased 1.7 times and 2.2 times respectively. Also, during the past 3 years (1979-1981), despite the difficulties which were created as a result of the cutting of credits by the Chinese revisionists, the rates of increase of industrial and agricultural production were higher than during the first 3 years of the Sixth Five-Year Plan when we continued to receive credits from China.

Our economy is getting strengthened and more consolidated with every passing day. In our country, there are no crises, inflation, unemployment and reduction of production, such as is occurring in the capitalist, bourgeois and revisionist countries. On the contrary, the producing forces are continually increasing and developing, the standards of living of the working masses are gradually improving and the defense capacity of our socialist fatherland is being strengthened continually.

These successes have their roots in the totally self-denying work of our people and in the correct farsighted economic and financial policy which the party has pursued in every stage of our socialist building. The organization and management of the economy has been constantly improved in accordance with this policy. However, the present stage of economic and social development requires that the organization and management of the economy be elevated to a higher scientific level, so that: first, the great quantitative and qualitative changes in the development of the economy and culture and of science and technology be better known by cadres and specialists and be thoroughly reflected in the method and work style of the management of the economy. Second, the economic and financial policy of the party and the principles and methods of management of our socialist economy must be understood and implemented without negligence by workers, cadres, and specialists, seeing and judging the economic and financial processes and phenomena always through a deep political and ideological prospective. We must respond to the rapid development of the economy, in accordance with the magnificent program of the Eighth Party Congress, with better organization and management of production and distribution, with a more revolutionary method and work style, and with more skilled economic and financial administration of our national wealth.

1.

Experience shows that improvement of organizational and managerial work is achieved in the struggle against foreign manifestations, old methods and with continuing efforts to strengthen the plan and finance discipline, so that the fulfillment and overfulfillment of all planned economic and financial indicators be assured.

It is a fact that during the past years, the mobilization of the working masses for the fulfillment of the economic and financial tasks has been elevated to a higher level. The year 1981, the first year of the Seventh Five-Year Plan, was ended with good results. The tasks were overfulfilled in many economic branches. Industrial and agricultural production increased at more than double the rapidity of the increase in population. The national revenues increased more rapidly than the social product. Accumulation also increased more rapidly than the production and circulation of goods. All these show a general improvement of economic effectiveness. This good initiative on the road to the fulfillment of the Seventh Five-Year Plan is also continuing this year. During its first 3-month period, the planned tasks, as a whole, were fulfilled and, in many sectors and branches of the economy, they were overfulfilled. The revenues of the state budget were also overfulfilled. As a result of these achievements, the economic and financial situation of the country was further strengthened.

However, along with the enterprises and agricultural cooperatives which fulfill their tasks, and this is a general characteristic, there are also those which create shortcomings in production, in distribution, and in other economic and financial indicators of the plan. Thus, last year, some industrial mining, building, agricultural, and other enterprises did not fulfill their production and accumulation plans at a time when their sister enterprises overfulfilled their plans.

From the analysis on the causes of backwardness in certain economic enterprises and agricultural cooperatives, it appears that they had a completely subjective character, especially, in connection with the shortcomings and weaknesses in the method of work and management of the economy. Thus, for example, one observes that, despite improvements, they do not work sufficiently and properly so that the economic and financial matters become, broadly and effectively, the problems of all workers and that the revolutionary thought and judgment of the masses be enlisted in solving these matters in a broad and effective manner. Shortcomings dealing with many problems which concern production, shortcomings in the consultation meetings with vanguard workers and specialists in regard to solving them, and the continuation of old practices of management by overevaluating the work with letters and provisions and by underevaluating the living work with the people, or by repeating weaknesses and shortcomings in a stereotyped manner, have accounted for problems not having been treated in all their broadness and complexity in these enterprises and cooperatives and concrete and effective measures not having been improved and implemented to eliminate weaknesses and shortcomings. And, we must admit that such a leadership method in the consequence of bureaucratic concepts and practices and of the pressures exerted by narrow practicism and routine work which have taken root in the method and work style of some cadres and specialists in production and of some government and economic organs.

Supporting and disseminating revolutionary initiatives for fulfilling the tasks for increasing production, for savings, for reducing construction deadlines, and for improving the effectiveness of the economy--the concrete manifestations of the revolutionary attitude in work and of the great struggle being waged to fulfill the 1982 plan and the entire 5-year plan--constitutes one of the main directions toward improving the effectiveness of the managerial work of the government and economic organs. We must respond with a better organization and management of the economy to the revolutionary impulse of the working masses.

In this framework, especially production specialists have an important task: they must activate themselves better than until now and must speak out, struggle and seek to implement, to the very last, the laws of economic management with effectiveness. However, this requires that they should have more economic and financial knowledge, which can be acquired through the various roads determined by the party. We stress this, because often the manifestations of subjectivism, voluntarism, one-sidedness and empiricism have their source in the insufficient economic and financial knowledge of production cadres and specialists. Lacking correct concepts and sufficient knowledge of effective economic management, some specialists underestimate the economic and financial indicators of the plan and do not see, do not analyze and do not treat properly and with unity the technical, technological and quantitative indicators of production with those of quality, where, at the very end, effectiveness also finds its expression. It is in such attitudes, among other things, that one should look for the roots of these negative phenomena which are observed sometimes, for example, when goods of poor quality or above the needs of the economy are produced, when the plan and financial discipline is violated and when people run after production without seriously thinking of distribution.

Life shows that when complete unity is established between technical and technological management, on the one hand, and economic and financial management,

on the other hand, new ways and possibilities are also found for improving economic and financial indicators, for discovering and utilizing domestic reserves with high effectiveness, and for increasing production and socialist accumulation.

The further strengthening of cooperation and the coordination of forces between branches and other links of management in the enterprises, cooperatives and government and economic organs in regard to solving problems constitutes a very important issue for improving the level of managerial and organizational work in the economy. In this field, improvements are noticeable and good experience has been acquired, which we find materialized in the economic and financial activity of some progressive enterprises, such as the plant for the production of instruments in Korce, the nitrate ammonium plant in Fier, the agricultural cooperative in Maliq, the agricultural cooperatives in Plase and Dajci, the chemical enterprise in Durres, and others which, for some consecutive years have distinguished themselves not only in fulfilling their production tasks as a whole, but also in fulfilling the economic and financial indicators in particular, increasing profitability and producing accumulation above planned tasks.

However, it was not worked in this way everywhere. In some agricultural units, production brigades have stressed weaknesses in management. The sectors and branches in some economic enterprises and agricultural cooperatives have operational slowness and shortcomings. The economic and financial problems are also dealt with weakly in some cases. The spirit of placing sectorial, local and departmental interest above general interest is still manifested in one form or another in certain cadres and workers. And it is a fact that such phenomena have become serious obstacles for work cooperation and coordination in regard to solving problems.

Now, the 10-15 day and monthly analyses for the fulfillment of the economic and financial plan indicators are carried out in general in a proper and systematic manner, with a critical and self-critical spirit; they serve to improve work, and to discover, encourage and manage positive tendencies, as well as to discover in time shortcomings and weaknesses, and to adopt the necessary measures so as to eliminate them. However, there are some cases when these analyses, although they are operative, are carried out with delay and with very technical language, not able to be understood and grasped by all the people. Those are manifestations of formalism; they are expressed in the activity of those cadres which do not evaluate the implementation of these analyses in time and the increase of their effectiveness as an important field for the revolutionization of the method of management.

The cadres of the government and economic organs in the districts and in government departments must deal more and better with effective analyses of this nature, because it is observed that some executive committees of the district people's councils and some ministries do not properly pursue the progress of production through such analyses which would help them to exert their influence more actively over the economic and producing activity of the enterprises. Thus, among other things, we implement the recommendation of the party that the government departments, the central institutions and the executive committees of the district people's councils must pursue and analyze the plan tasks

in all indicators and in all enterprises in a frontal manner by further strengthening the operativeness and requirement for reporting; they must also give special attention to those agricultural units which are weak, and give them concrete aid in the rapid settlement of their problems.

The improvement of the method of management is linked with the improvement of the organizational structures of the leading state and economic apparatuses, but always in that direction and for the only purpose of responding better, from the point of view of quality, to the fulfillment of the greater and more complicated tasks, so as to assure, on the basis of their competencies and of the functions entrusted to them, a management of production which is more lively, more skilled, most effective and scientifically based. We stress this, because, although the organs of the economic and financial management help to properly control production in general, there still are shortcomings and weaknesses. In some of these organs, superfluous links have been created; they increase personnel and hinder work. At the same time, some cadres, starting with the difficulties of growth and without analyzing with a critical eye how much and how the existing possibilities of the branches are used in the economic enterprises, the agricultural cooperatives and in the operational sections of the executive committees of the district people's councils and of the government departments in ministries, express their opinion about the creation of new links and about the increase of personnel. The issue is that, in the struggle with such tendencies, the improvement of organizational structures of the organs and apparatuses of the government and economic management must assure the qualitative increase of their work.

2.

Now our economy has a strong technical and material base. The national wealth in general has been increased and greatly invigorated. Under these conditions, Comrade Enver Hoxha stressed at the Eighth Party Congress, the managerial and organizational work in the economy must assure the best utilization of this wealth and of the powerful existing technical and material base by improving the effectiveness of expenditures in all fields of the country's economic activity.

It is important, on the basis of the knowledge of the laws which characterize our socialist system, to delve always deeper into the problems of production and distribution and to insure higher and higher effectiveness in everything, especially in the use of the existing technical and material base. This is also because of the fact that, as was planned in this 5-year plan, the overwhelming part of increased production will be assured by better utilization and by the expansion and reconstruction of existing producing capacities. This is an important objective with considerable effect on the improvement of the effectiveness of the economy; its achievement requires even greater and more skilled managerial and organizational work, especially in the direction of the maximal utilization of machines, plants, workshops, and of other producing capacities.

The experience gained in this field is great. Many enterprises, such as the Enver Hoxha autotractor combine in Tirana, the superphosphate plant in Lac,

the Misto Mame timber plant in Tirana, the cement plant in Vlore, and many other plants, have achieved good results in the utilization of production capacities. However, it is not everywhere that one works with persistence and that things are managed with pencil in hand so as to get maximum production from every existing producing capacity. Many metal-cutting machines are not used on three shifts; some vehicles of the automobile transport sector and some vessels of the sea transport sector are not used at full capacity and the coefficients for their use are lower than the progressive average. There are lines, units and sometimes, even plants, which are not used at full capacity during the entire year.

From the analyses and confrontations which have been made, it appears that the reason for these nonfulfillments are mainly caused by the weakness of organizational and managerial work, especially, of the insufficient measures which are taken to eliminate planned stoppings and interruptions during the operational work of machines in some plants. The struggle against erroneous concepts, such as, allegedly "planned producing capacities cannot be achieved in practice," that "producing capacities are data and cannot be changed," and so forth, has not been properly evaluated, so as to contravene the progressive experience which exists everywhere against these concepts. And this experience shows that when the existing producing capacities are well known and when progressive indicators are indicated in their use and, on this basis, when the work for their maximal utilization is well organized, and when this is combined with the measures for the further training of workers, planned producing capacities are not only fulfilled, but, in many cases, are even overfulfilled.

Material and monetary values, tending to increase more and more, participate more every day in the economic circulation. Their proper administration constitutes an inexhaustible source for improving the effectiveness of the economy. Now in this field, we have quite positive results and rich experience. The knowledge and generalization of this experience is a great reserve for reducing production expenditures. The dissemination of progressive experience has become a necessity, especially, in the field of improvement of norming for the use of materials, in order to replace the old ones with more advanced ones, to establish such technical norms everywhere, and to cut the road exceeding plan in the use of some materials.

Life shows that the time has come to further expand ourselves in studies and analyses for better administration of production expenditures, for use with higher effectiveness of raw materials and of other materials, for the reduction of scarcities and for the improvement of production quality. These issues deserve greater concern, especially, by those enterprises and sectors where many raw materials and other materials are processed and in those directions for which the party has given concrete recommendations, especially for the increase of useful coefficients in the processing and utilization of raw materials, the elimination of defects and the reduction of technological waste, for a broader implementation of mathematical methods in our economy, and so forth.

The ministries and research and scientific institutes can and must play a more active role in these fields, both in regard to the generalization of progressive experience and in regard to the settlement of many concrete problems which

emerge from the intensive development of the economy. Many problems exist both in the field of work improvement during the planning process and during the implementation of the tasks for reducing costs, making all of them matters concerning all production workers and specialists. The main point is to create and instill in everyone the conception that there are great opportunities and reserves to reduce production expenditures and that they must be discovered during the fulfillment of work and during deep economic and financial analyses, correctly implementing Comrade Enver Hoxha's recommendation that "managerial and organizational work must be expressed in the increase of production and in the improvement of the effectiveness of expenditures in all fields of economic activity" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 61).

In this framework, the implementation of expenditures with calculation and strict control has been and remains a very important task for the economic and financial organs, especially, in two main directions.

First, in the direction of the further improvement of studies in the planning process, with the intention of foreseeing those expenditures which are more necessary, continually improving relationships between producing and nonproducing expenditures and always giving priority to producing expenditures. We stress this, because, in many cases, there have been erroneous and undocumented calculations and estimations, and tendencies both to plan swelling expenditures and to implement unnecessary expenditures and unrestrained spending. The lack of studies in some variants in regard to the implementation of expenditures, especially for the construction of new projects, for expansions and reconstructions, becomes an obstacle to finding and executing the proper variant which assures higher effectiveness of investments.

Second, on the basis of scientific planning, stricter control must be established over the use of accumulation guided by the party recommendation that the expenditures plan is the maximal limit which should not only not be exceeded, but also efforts should be made to fulfill the tasks with the least possible means and funds, even by making savings from planned expenditures. Particularly here, the strengthening of control over investments by the means of the lek is important, thoroughly seeing them not only in the economic and financial aspect, but also in the political and social aspect, so that investments and constructions always precede more and more the development of the economy and assure high profitability.

Along with the work for the creation of clear concepts about these issues, it is necessary to improve the organization and management of work and to pursue expenditures in continuity for every project, strengthening responsibility in this connection through control, especially, control of the financial and bank organs. In this framework, there is room to have a look at nomenclatures and competencies in the field of investments, increasing the competencies and responsibility of the grassroots organs. There is also room for the further improvement of the way to design projects, properly coordinating the technical and technological aspects with the economic and financial aspects so that when a project is examined and its complete value determined, all other issues must also be clarified, cutting the road to the erroneous practices which, in some cases, the study of other problems is carried out immediately after the value of the project has been determined.

3.

In the organization and management of the economy with effectiveness, the party also relies on the exercise of strong economic and financial control over all its cells and links.

Economic and financial control, as a component part of state control, aims at verifying how the party provisions and the requirements of the objective economic laws of socialism are understood and implemented, how the struggle is waged for fulfilling concrete economic and financial tasks, and how material and monetary benefits are administered and, on the basis of a verification on the spot and through detailed analysis of the situation, also at improving and at executing concrete measures in order to fulfill the tasks. Economic and financial control has been constantly strengthened and invigorated, especially during the past years, both by increasing the power of discovery, the power of arriving at conclusions as well as the power of prevention. Nevertheless, there still are weaknesses and shortcomings in the organization and exercise of this control. This control is not properly functioning in certain work and production centers. In some cases, the quality of the control is not good. The power of preventing this from happening and the adoption of measures on the spot so as to cure the problem during the exercise of control, is not at the required level.

In the entire work for strengthening economic and financial control, of particular importance are the measures for further strengthening domestic control in the enterprises, cooperatives and other economic links, such as the first control over production and distribution, which acts over all the production and distribution processes and which is carried out immediately after the economic action has been done. The regular organization and function of this control makes control an effective means for verifying the execution of the law in the implementation of activities and an important factor for the proper preservation and administration of socialist property.

Despite improvements in the organization and exercising of domestic control, in many cases domestic control is still carried out with shortcomings which stem primarily from the lack of a correct conception of this control. Many cadres think that only specialized organs, and among the latter only the financial branches and controllers, must deal with domestic control, if this control deals only with financial activities. As experience shows, however, domestic control gives very positive effects when it is understood and developed as a task and as a function devolving on all links of management and on all workers and when it is extended to the entire economic, technical and technological activity of the enterprises or cooperatives, thus, making it an active means in the struggle against foreign manifestations and attitudes in the administration of property and in the execution of socialist law. Government and economic organs, especially financial organs, on the basis of acquired experience, must take all necessary measures so that this control be planned and organized as it is carried out by all other factors which assure the fulfillment of the plan, not only by the economic enterprises and agricultural cooperatives, but also by the executive committees of the district people's councils and ministries. The problems of the strengthening of domestic control must also become objects of discussion and of analyses in the basic party organizations and in the working collectives.

Financial organs have important tasks in the field of control; they are powerful levers in the hands of the party. "Financial and bank organs," Comrade Enver Hoxha teaches us, "must place control by the means of the lek in the place it deserves and must further improve their active role in production, in circulation and in services, using the other levers of our economic mechanism with greater effectiveness and on the correct path." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 60)

The control of financial organs by the means of the lek comprises all the stages of expanded socialist reproduction; it is fulfilled both in the planning process and in the implementing process so as to discover the many possibilities and reserves hidden in the bosom of our people's economy for increased production and accumulation.

It is a fact that economic and financial planning has been constantly improved. However, there are still manifestations of voluntarism and subjectivism and empirical forms and methods in determining the plan tasks; they are why we always fail to insure complete unity between the economic and financial indicators and better coordination of production plans with the distribution technical-material plans. Life shows that there is room for further improvement of the role and responsibility of the planning organs at the grassroots. Also there is room for examining planning deadlines. The prolongation of planning time causes workers and apparatuses to be obstructed with planning tasks and have less time to pursue the implementation of the plans. There also are problems in regard to better coordination of export-import plans with other plans in order to assure complete harmony in time and among all indicators.

In the process of implementation of the plans, the control exerted by the financial organs has actively influenced and influences the fulfillment of tasks, especially to assure proper administration of material and monetary assets. However, the task is that this control must become a barrier against damage and abuse observed in some cases in the administration of property; it must strongly influence the implementation of a strong spirit of savings everywhere. For control may be most effective in these directions, it is required not only to discover situations and facts, but also to adopt measures on the spot in order to prevent and eliminate weaknesses. Comrade Enver Hoxha stressed, "It must be live, active and daily control capable not only of discovering shortcomings and mistakes, but also of putting problems on the road to settlement on the spot." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 60) In this field, the financial organs must implement their competencies better than until now, living more intensively with production, with the people, and with the problems of the economy. Stricter control must be exerted through economic and financial levers, such as the levers of prices, costs, profitability and credits actively helping the regular implementation of economic and financial processes, the rapid circulation of goods and the improvement of effectiveness of production.

The financial control and inspection represents the final stage of the control carried out by the financial organs. It is part of general state control and its task is to verify the accuracy and legality of economic and financial activities. As a result of the measures adopted by the party from time to time,

financial control and inspection has been strengthened, however, its discovering and controlling power, that is, its quality, is still far from the objectives established. The improvement of the effectiveness of financial control is also achieved through better coordination of its activity with other forms of control, especially worker-farmer control, further expanding the line of the masses in control. These problems demand more scientific handling both by financial organs and by other government and economic organs, aiming at placing all the working masses as keepers to safeguard and defend property.

We are building socialism under the conditions of the fierce imperialist-revisionist encirclement and of the increasing expansion of the economic and financial crisis of the capitalist, bourgeois and revisionist countries. On the other hand, our economy has become a great and complex economy whose management requires more work and more creativity. Therefore, Comrade Enver Hoxha stressed at the Eighth Party Congress, "management and organization are among the most important things for which we must strive strongly in order to advance work everywhere in the economy, in education, in science, in culture, and in all fields of social activity." (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 57) The thorough understanding of these party provisions and their implementation everywhere is one of the most important problems to insure the development of the economy at a high rate and its administration with effectiveness.

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GERMAN DEMOCRATIC REPUBLIC

DECREE SETS STANDARDS, INCENTIVES FOR MATERIALS SAVINGS

Officials Interviewed on Regulations

East Berlin DIE WIRTSCHAFT in German Vol 37 No 8, 12 Aug 82 pp 16-17

[Interview with Heinz Jurk, deputy minister for materials management, and Friedrich Schiefer, deputy chairman, State Planning Commission, by Liselotte Fast; date and place not given: "High Economic Growth With Lowest Materials Consumption." A translation of the 1 July 1982 decree on materials consumption discussed below is published following this interview]

[Text] In his concluding address to the Fourth SED Central Committee Plenum stressed "we must definitely develop production processes turning out goods with the least possible specific use of materials, especially imported materials, and suitable for being exported at the greatest possible economic profit." The 1981-1985 Five-Year Plan provides for a lowering of consumption by 6.1 percent per annum in order thereby to create the prerequisites for economic growth, for the continuing pursuit of the main task. Materials consumption norms assume a key role in this context.

[Question] Does the standard of work with consumption norms meet the requirements of our economic growth?

Heinz Jurk: At the present time a fundamental change is proceeding in our national economy with respect to the ratio of raw materials yield and the development of output. Recent years were already characterized by the fact that stable output growth was achieved in conjunction with a declining materials consumption. It will now be imperative to organize further increases in output in combination with an absolute reduction in materials consumption. As the smallest parameter for measuring the social consumption of material funds, materials consumption norms are therefore assuming increasing importance. It is their function to stimulate and inspire, the working people to creative cooperation in all work places.

Undeniable progress has been achieved in recent years by the work with norms and standards. We currently have some 12.5 million enterprise materials consumption norms in industry and construction. They account for more than 95 percent of our consumption of basic materials and about 60 percent of the consumption of ancillary and repair materials. At the same time these norms provide the basis for some 1,800 state standards of materials consumption. These in turn are the basis of the 1982 economic plan's minimum targets for the product-related lowering of materials consumption for nationally important products or product groups.

Even more crucial than the quantitative development of the work with norms have been the qualitative changes of recent years. Grown, for example, has the percentage of technically and economically established materials consumption norms while we managed, at the same time, to raise the extent of the topical relevance of norms. Both demonstrate the beneficial effect of materials consumption norms on the economic results of production.

And yet, it is all a question of criteria. Applicable to the work with norms also is the old adage that the present achievement does not yet equal the potential achievement.

Currently 90 percent of materials costs in industry and construction are based on consumption norms. However, nobody may be complacent about that status. Indeed, we should make it our starting point and consider the fact that 10 percent of materials costs are still not ruled by norms. Moreover, if some 500,000 standards are of longer date than 1 year, we may not say "only," we must say "still."

That is a fundamentally different attitude and properly responds to the challenges of the present.

Party and government resolutions direct us at all levels of management and planning further to improve the work with norms and standards and thereby more effectively to alter the ratio of cost and profit, of production consumption and national income in favor of profitability. This precisely is the main concern of the new decree on the work with norms and standards of materials consumption and maintaining of reserves, enacted on 1 July.

[Question] Could you quote some new aspects of this decree?

Friedrich Schiefer: The new decree aims even more effectively to utilize all available material resources for the development of the capacity and the improvement of the efficiency of our national economy. In that spirit the standard of planning and balancing is to be further raised on the basis of norms responding to scientific-technological as well as technical and economic needs. For that reason the decree clearly defines and bindingly regulates the

responsibilities of central organs, combines, enterprises and, for the first time, bezirk councils, for the drafting, confirmation, reporting and supervision of norms and standards.

In consideration of national requirements, the State Planning Commission and the Ministry for Materials Management must determine the key points for the work with norms and standards and, in coordination with other central organs, direct and coordinate the process of this work.

The new decree also raises the extent of the responsibilities held by the general directors. Theirs is the assignment, in response to the specific prevailing conditions, to set and enforce combine orders for the work with norms and standards. The basic assumption here must be this: Progressive norms must qualitatively and more speedily improve the materials managerial efficacy of science and technology.

The planning of consumption and maintaining of reserves as well as moral and material stimulation must proceed by way of confirmed at relevant norms and standards.

The new decree also includes far-reaching provisions on stimulation. It is a crucial point that norms for imported materials must always be confirmed by the general directors. At the same time these must decide the other materials consumption norms, important for the reproduction process of the combine, that must be defended before them.

[Question] Let us stay with science and technology. How could and should materials consumption norms contribute to improvements in the results of scientific-technological progress?

Heinz Jurk: In view of the crucial influence of production preparation on any lowering of production consumption, the new decree requires norms to be issued for collectives in the production preparatory sectors also and for them to be assigned as mandatory targets in the duty book. These norms are at one and the same time the subject of the opening, intermediate and final defenses in the stages of work and performances of the plan science and technology.

The achievement to be aimed at is this: To develop products with a favorable volume-performance ratio, speed up the rate of refinement, improve quality and reliability and make prevail materials conserving technologies and processes. This will also make sure that, upon the introduction of new items into manufacture, work may proceed consonant with progressive norms of the highest possible scientific-technological standard.

We consider of outstanding importance the far stricter regulation according to which norms are to be promptly revised and brought up to date upon each new

scientific-technological advance, because any outdated norm obstructs the application of scientific-technological advances and cements excess materials consumption.

Both together, the assignment and reporting of challenging materials management targets for all research and development tasks and the prompt revision of norms, help raise the materials managerial effectiveness of scientific-technological advances and organize a gain in time.

[Question] You mentioned the need by norms and standards further to raise the level of planning and balancing. How is that to be done?

Friedrich Schiefer: Briefly put: To begin with we must insist that a call upon material funds is justified only if calculated and proved by relevant progressive norms and standards. The standard of enterprise materials planning and balancing rises to the extent that the quality of materials consumption norms improves. The quality of state standards of materials consumption--the tools of central balancing and planning--vitally affects the quality of national demand and cost calculation. Progressive norms and standards decidedly assist the initiatives for developing reserves for the return of funds.

Until now standards were drafted as minimum state targets for the lowering of specific materials consumption for nationally important products and product groups at the same time as, or after, balancing. We learned by experience, though, that standards did not become fully effective this way.

In future, therefore, standards will be drafted and confirmed before the balances, so that national requirements upon the development of materials management may become the basis of the plan as well as the balances. Consequently the basic cost: profit ratio will be made to agree much better in the plan draft. This takes into account the need to organize high economic growth with a minimum of funds. Arising therefrom is a great challenge to the quality of the drafting of norms and standards, and great efforts will be needed to meet it.

Heinz Jurk: The duty by norms and standards to raise the level of planning and balancing also applies to maintaining reserves. It is not appropriate on the one hand to make a real effort to free material funds for increasing the national income while, on the other, permitting unplanned stocks. These stocks include live and objectified labor ineffective for the economic reproduction process.

The new decree therefore insists far more strictly on ensuring smooth flowing plan execution with the least use of materials stocks by progressive norms for maintaining reserves. State standards for maintaining reserves have a crucial role here.

[Question] Just lately important resolutions have been adopted in regard to the economic efficacy of science and technology, to economic accounting and to balancing. How does the new norm decree fit in here?

Friedrich Schiefer: The new decree fits in very well and is part and parcel of the implementation of these resolutions. We have already mentioned the connection with the resolution on science and technology and the balancing decree. Let me comment briefly on the connection between materials consumption norms and economic accounting.

In general all reporting of enterprise materials consumption proceeds in terms of volume and value on the basis of cost unit accounting. This produces the connection between the work with standards and the finance plan, and that is also an important step toward the further encouragement of cost: profit thinking.

Every worker learns the economic value, expressed in marks and pfennigs, of the material he handles. On this basis materials conservation can be much more definitely incorporated in the socialist competition. This meets our party's challenge to assign a still greater role in economic accounting to the struggle for the lowering of materials costs.

[Question] You mentioned that the opportunities for stimulation were supplemented or expanded?

Heinz Jurk: Let me begin by saying that all the well tested principles of material recognition for the working people remain in effect. They were expanded wherever practical experience suggested it. To direct more attention to top scientific-technological achievements in materials management, working people in production preparatory sections will in the future receive a material reward if they remain below the subject and job related targets for materials consumption in the development of products, technologies and processes, and if the appropriate evidence has been furnished either upon the settlement of the duty book, by the construction of a model or in some other way.

The new decree also gives general directors the right materially to reward just the observance of norms, provided that these norms represent best values. This will benefit in particular the working people in materials transforming industries, because, to be observed, the technological level there already presents an enormous challenge to the knowledge and skills of the working people.

[Question] Where are the emphases for further work on an with materials consumption norms?

Heinz Jurk: Enterprise and combine experiences unanimously confirm that, as the result of good work with norms and standards, raw materials and other materials are more efficiently used, the waste of materials is effectively eliminated, and important prerequisites are created for freeing and returning material funds. The decisive starting point for the overall greater efficacy of the work with norms therefore consists in applying the criteria and experiences of the best in all enterprises and combines, and to eliminate the still existing differences in standards. This way substantial reserves may be developed very quickly, without spending a single mark on investments or using additional materials.

Performance comparisons reveal that considerable differences still persist in standards of comparable combines that dispose of fairly similar production conditions. Though, in the national average, 90 percent of materials costs are subject to norms, many combines and enterprises still fall below this average.

There are obviously no objective reasons why 100 percent of materials costs in the Leipzig Land Cultivation VEB of the Progress Farm Machine Combine are covered by norms but only 38.4 percent in the Dargun Farm Machine Construction in the same combine.

Differences are also very evident with respect to the technical-economic basis of norms. In the Berlin Outwear Combine, for example, 99.8 percent of all materials consumption norms are well founded in technical and economic terms, in the Hosiery Combine, on the other hand, only 36 percent.

Profound differences may also be found in the norming of nationally important raw materials and other materials. Contrasting with 100 percent for cotton or 99.9 percent for woodpulp are only 90 percent for such an important material as rolled steel. The consumption of ancillary and repairs materials is normed to only 60 percent. Here also enterprise results vary very substantially, and that means reserves remain to be exploited.

In summation it will now be our most important duty everywhere to organize the work with norms in accordance with the experiences of the best, generally to raise the proportion of technically and economically based norms and constantly to revise and enforce norms in conformity with scientific-technological advances and changing production conditions.

Fritz Schiefer: The effects of this work will have to bear fruit in 1982 already and crucially affect the preparation of the 1983 economic plan because it is imperative to use the reserves still existing everywhere to ensure the

greatest possible advance of performance. It is therefore vitally necessary everywhere to involve in the accomplishment of this task the working people, innovators and rationalizers, engineers and scientists in production and production preparation, and to utilize their wealth of experiences--in other words comprehensively and efficiently to organize and manage the work with norms. The struggle for the improvement of materials management to be conducted now requires a broad mass base.

Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German
Part I No 28, 30 Jul 82 pp 515-520

[Official text of "Decree of 1 July 1982 on the Work With Norms and Standards of Materials Consumption and Maintaining of Reserves," signed by Werner Krolikowski, first deputy chairman, for the Council of Ministers; and Dr Hasse, state secretary, for the minister for materials management]

[Text] To reduce production consumption in the national economy by the most economical use of raw materials, other materials and substances, the work with norms and standards of materials consumption and maintaining of reserves is to be further perfected. Starting from the latest scientific-technological findings, norms and standards are to be drafted and used as bases for the planning and balancing of material funds and in close cooperation with economic accounting. The following is therefore decreed:

Article 1--Scope

(1) This decree regulates the work with norms and standards of materials consumption and maintaining of reserves. It applies to:

- State organs,
- Combines,
- State enterprises and enterprises and institutions of equal status; as well as to socialist cooperatives (hereinafter described as enterprises).

The provisions of this decree for combines are applicable mutatis mutandi for economy managing organs.

(2) Combines and enterprises planning and reporting to a reduced extent must apply the provisions of this decree in conformith with the applicable legal regulations.¹

(3) This decree also applies to the work with norms and standards of packaging consumption unless otherwise provided in legal regulations about the management and planning of the packaging industry.²

(4) This decree applies to the work with energy management norms and maintaining of reserves insofar as this is provided in the legal regulations concerning energy management.

Principles

Article 2

(1) Norms and standards of materials consumption and maintaining of reserves are intended for a fixed term

--To lower the consumption of raw materials, other materials, substances and packaging materials (hereinafter described as materials) per product or performance unit in commodity units or units of value or
--Reduce reserves to the minimum required for the smooth flow of production.

(2) Material consumption norms and norms for maintaining reserves are plan targets of combines and enterprises (hereinafter described as norms).

(3) Standards for materials consumption including the consumption of packaging materials and standards for maintaining reserves are state plan targets (hereinafter described as standards).

(4) The norms and standards to be used are listed in appendix 1.

Article 3

(1) Planning of the consumption and maintaining of reserves of materials as well as plan implementation must always proceed consonant with confirmed norms and standards. State organs, combines and enterprises must constantly improve the work with norms and standards as part and parcel of management and for the purpose of lowering the use of material funds. Based on high scientific-technological targets such norms and standards must be drafted and confirmed as will effect qualitative changes in the development of products, processes and technologies, in manufacture and maintaining of reserves. Norms and standards are to be steadily improved in the process of plan and balance preparation, drafting and execution consonant with national targets for lowering materials consumption per product and performance unit. Effectively to be affected thereby is the speedier refinement of materials, the improvement of the quality and reliability of products (especially by the widespread use of micro-electronics), the application of economical light construction, the improvement of the volume: performance ratio of products, the use of cheap materials conserving processes and technologies, the extensive use of secondary raw materials and industrial waste as well as the reduction of reserves to the minimum justifiable in technical and economic terms.

(2) The drafting and confirmation of standards for materials consumption must proceed in preparation of state targets, state plan targets and the further improvement of the standards assigned with state targets. To be based on them is:

- The ascertainment of the nationally justified demand, the planning of consumption, and the maintaining of materials reserves in the preparation of economic plans consonant with national needs for lowering materials consumption and the settlement of the effective use of the material funds available,
- The implementation and observance of the fixed quotas, balance shares and limits, the rejection of nationally unjustified demand and the return of the material funds saved as well as materials disposal and economic contracts consonant with legal regulations,⁴
- Financial and cost planning and the targets for lowering costs.

(3) The drafting and use of inventory norms and standards of maintaining of reserves must proceed consonant with national needs and opportunities for the development of more inventory reserves and the enforcement of a product specific structure of stocks for the material assurance of smooth flowing plan implementation coupled with the lowest cost of maintaining the reserves. To be ensured primarily are:

- Fixing such inventory norms and standards of maintaining reserves as allow fully to meet the state targets for the extent of material circulation stocks in the volume of values,
- The optimalization of delivery cycles as well as transportation, transshipment and storage processes, taking into account the distribution of supplier and customer locations,
- The observance of mandatory minimum inventories.

(4) The many initiatives of the working people in production and production preparation for the development of materials management reserves and in the struggle against any waste of materials, especially in the socialist competition, the FDJ action "materials conservation" and the movement "fair of the masters of tomorrow" as well as in the community work of engineers in the Chamber of Technology are to be used and encouraged. Old established and new work and management experiences in the observance and lowering of norms and standards must be generalized. Existing differences in standards must be overcome by exchanges of experience and performance comparisons between collectives, enterprises and combines.

(5) In their sphere ministers, chairman of bezirk councils, general directors of combines and enterprise directors must ensure the observance of state order, in the work with norms and standards.

Tasks of State Organs

Article 4

(1) In cooperation with other central state organs and on the basis of central state provisions, the Ministry for Materials Management manages and organizes the drafting of key tasks for the development of materials management and subsequently coordinates the process of the drafting, defense, confirmation and reporting of standards for materials consumption and maintaining of reserves in the national economy. The Ministry for Glass and Ceramics Industry coordinates the work with the standards for the consumption of packaging materials. In cooperation with the State Planning Commission and other state organs, the Ministry for Materials Management, or the Ministry for Glass and Ceramics Industry must actively promote the steady perfection of standards so as to make effective in practice the transfer of the latest scientific results to the norms mandatory for production and services.

(2) On the basis of national needs the State Planning Commission establishes the key points for the drafting of standards and their steady perfection. It conveys them to the Ministry for Materials Management or the Ministry for Glass and Ceramics Industry for the issue to the competent industrial ministers of directives for the drafting of standards for state tasks relating to the economic plans. The State Planning Commission assists the Ministry for Materials Planning and the Ministry for Glass and Ceramics Industry in the preparation and conduct of the defenses of the standards and, by statements on material balancing, ensures the use of the standards in the drafting and implementation of material balances.

(3) In coordination with the chairman of the State Planning Commission, the Minister for Materials Management or the Minister for Glass and Ceramics Industry must issue to the competent industrial ministers and the ministers responsible for balancing, the central nomenclatures of the standards for materials and packaging materials consumption⁵ as well as for maintaining of reserves.

(4) [Subsequent to the defense by the competent industrial ministries]. The Minister for Materials Management or the Minister for Glass and Ceramics Industry confirm the standards in coordination with the chairman of the State Planning Commission, the ministers responsible for balancing, the Minister for Science and Technology and the president of the Standardization, Measurement and Commodity Testing Office. He also assigns targets for the further lowering of specific materials consumption and for rational maintaining of reserves.

(5) The Ministry for Materials Management or the Ministry for Glass and Ceramics Industry must analyse the efficacy of the work with norms and standards, with the aim, in cooperation with other state organs, to ensure the lowering of

specific materials consumption consonant with national needs while guaranteeing the material-technical supplies required by the national economy. The head office for norms and standards for materials consumption in the Institute for Light Construction and the Economical Use of Materials and the head office for norms and standards for packaging materials consumption at the Research Center for Packaging will assist combines and enterprises in the improvement of their work with norms and standards.

(6) After consultation of the executive boards and managements of social organizations, especially the FDGB federal executive board, the FDJ central council and the presidium of the Chamber of Technology, the Ministry for Materials Management must draft directives for the encouragement of mass initiatives for the greatest possible materials conservation.

(7) The Minister for Materials Management is authorized, in cooperation with the competent control organs, to check the work with norms and standards in all sectors of the economy on the basis of this decree.

Article 5

(1) In their sphere ministries and bezirk councils must ensure the uniform drafting, defense, observance, reporting, supervision and analysis of norms and standards as well as their constant qualitative improvement in the preparation, drafting and implementation of economic plans. From the plans science and technology, long-range development conceptions and other long-range conceptual documents, especially refinement conceptions, they must derive and enforce measures for the lowering of materials consumption in the development and manufacture of products with the greatest possible use value.

(2) For the support and complementation of the central nomenclatures as per article 4 paragraph 3, ministers must--in cooperation with the Minister for Materials Management--issue sector specific standards for materials consumption and--in coordination with the Minister for Glass and Ceramics Industry--sector specific standards for the consumption of packaging materials.

(3) The ministers must defend the standards of materials consumption and maintaining of reserves before the Minister for Materials Management, and the standards for the consumption of packaging materials before the Minister for Glass and Ceramics Industry. The confirmed standards and other targets for the improvement of materials management must be assigned in a differentiated manner to the combines or technical organs of bezirk councils as well as the organs responsible for balancing, as the bases of planning and balancing.

(4) Ministers and chairman of bezirk councils must ensure that supervision of the observance and reporting of standards proceeds in conformity with cost and financial plans and measures for the further development of efficiency reserves.

(5) In cooperation with the competent executive boards of labor unions and the managements of other social organizations, ministers and chairmen of bezirk councils must establish the key points of the socialist competition for the improvement of materials conservation, and encourage initiatives by the working people, especially socialist collectives and youth brigades.

Article 6

The central reporting of norms and standards must proceed by way of the Central State Administration for Statistics in coordination with the Ministry for Materials Management or the Ministry for Glass and Ceramics Industry and the State Planning Commission.

Tasks of Combines and Enterprises

Article 7

(1) Consonant with their national responsibility for the assurance of appropriate production, combines and enterprises must guarantee the necessary growth of performance and efficiency with the least expenditure of materials on the basis of norms and standards. Therefore the tasks for the greatest possible refinement of the available materials, derived from long-range development conceptions and other long-range conceptual documents, must be aimed at the purposeful lowering of production consumption. The savings stipulated by norms and standards must be the basis of materials, financial and cost plans.

(2) In their sphere of responsibility, general directors must guide the work with norms and standards in conformity with state tasks and state plan targets issued. They must also enforce the adoption of efficient methods of the generalization of best experiences, especially by enterprise performance comparisons.

Article 8

(1) Combines must break down the standards assigned them in accordance with their specific conditions, and in turn assign them to the enterprises. Together with the standards, enterprises are to be assigned differentiated tasks for the achievement of the targets for lowering materials consumption and rational maintaining of reserves.

(2) On the basis of the standards and taking into account the material funds allocated them, enterprises must draft enterprise norms and assign them in a differentiated manner to collectives and individual workers so as to be job relevant, capable of inspection and suitable for reporting. The assignment of norms proceeds within the framework of the conduct of the socialist competition for the producing sections, especially in the budget books, and for the production preparatory sections especially in the duty books.⁶

(3) In the development of products, processes and technologies, enterprises must include the latest findings of science and technology as well as the provisions of state standards in the materials consumption and inventory norms mandatory for production. Consequently norms must be drafted for the production preparatory sections with regard to all tasks related to research and development, to represent materials conservationist targets and preliminary materials consumption norms for the purposeful lowering of materials consumption. Here such scientific working methods are to be used as:

- International comparisons, use value/cost analyses, process analyses, materials consumption and materials loss studies,
- The information system for basic materials and economic materials use,⁷
- Modern calculation and design regulations as well as standards for the adoption of optimum designs coupled with the consistent observance of state deployment regulations.

Article 9

(1) General directors of combines and directors of enterprises are responsible for ensuring the agreement of norms with the latest status of science and technology, taking into account the material funds available. They must guarantee the review of the efficacy of materials consumption norms based on technical-economic considerations and statistics of experiences at least once a year, of preliminary materials consumption norms at least once every 6 months, and of inventory norms based on technical-economic considerations, statistics of experience and preliminary findings at least once a year.

(2) Combines and enterprises must promptly review and, if necessary, revise norms if:

- Consequences arise for materials consumption or maintaining of reserves from design, technological and organizational changes, the growing extent of refinement and the analysis of the development of norms,
- If the inventory forming criteria at the basis of norms, such as production, delivery and consumption conditions change,
- If a material reward was awarded for keeping below the norms.

The revision of the norms is to be organized as an amendment service.

Article 10

(1) Norms must be defended and confirmed before the director of the enterprise or the general director of the combine. The general director of the combine must decide which norms are to be defended before and confirmed by him. Norms for specific imported materials must always be defended before the general director of the combine.

(2) Norms for the production preparatory sections must be confirmed in the various stages of development within the framework of the opening defense of scientific-technological tasks as well as the intermediate and final defenses of scientific-technological results. In the course of the defenses of tasks and results of the plan science and technology such material-economic targets are to be fixed as determine the advanced standard of materials consumption at the time of the transfer of these results to production, based on international comparisons and trends.

Article 11

(1) At least once a year combines and enterprises must analyze their work with norms and standards and establish steps for their further perfection. The analysis must take the following into account:

- The conformity of the norms and standards with advanced international levels of science and technology, especially in the field of the refinement of material,
- The comparison of the development of norms with financial and cost planning,
- The development of the shares of norms based on technical-economic considerations, statistics of experience and preliminary findings,
- The comparison of norms and standards with the reported actual consumption or maintaining of reserves,
- The development of materials utilization,
- The development of standard ratio days and the turnover of inventories,
- Norms with stagnating tendency,
- The efficacy of the moral and material recognition of working people for keeping below the norms.

(2) General directors of combines and directors of enterprises must document the economic results and the efficacy of norms and standards together with the plan drafts to their superior manager, complete with conclusions regarding the further improvement of the work with norms and standards. At the time of reporting to the working people as per legal regulations⁸ the results achieved in the lowering of materials consumption and materials costs as well as in the work with norms and standards must be assessed.

Article 12

(1) Combines and enterprises must ensure the reporting of norms and standards and record the lowering of materials consumption achieved in conformity with the cost and financial plans and the planned lowering of costs.

(2) In accordance with enterprise specific conditions, enterprise directors must order measures for checking the observance of norms. To be ensured is the handling of:

- Quantitative checking on the basis of enterprise proofs, such as materials withdrawal slips,
- Checks in terms of value on the basis of cost unit accounting, so that the records are submitted at least once a year complete with the cost analyses to be prepared as per legal regulations⁹ and with recalculations.

(3) Combines and enterprises must return the material funds freed by the norms and standards of materials consumption and to take the return of funds into account as per the legal regulations⁹ on the lowering of materials costs.

Article 13

Combine general directors are obligated in conformity with the specific conditions prevailing and legal regulations to fix combine orders for the work with norms and standards including moral and material rewards for working people keeping below the norms. Subsequently enterprise directors will issue regulations for their sphere of responsibility. These are to settle the tasks of all enterprise sections in the drafting, revision, reporting and supervision of the observance of the norms and standards as well as the coordinated cooperation of the sections including the necessary exchange of information.

Article 14--Handling and Storage of Inventories and Reserves

(1) Combines and enterprises must ensure the accomplishment of the economic, technical and organizational tasks for the handling and storage of inventories and reserves justified by confirmed norms and standards in conformity with the principle of socialist thrift and at the least material and financial costs. They must therefore issue enterprise storage instructions.

(2) Taking into account regional requirements, especially transportation conditions and the distribution of locations between suppliers and customers and to ensure smooth flowing production, the management and planning of handling and storage of inventories and reserves, especially the availability of stored goods appropriate in terms of time, volume, quality and range, must be directed to the:

- Consistent observance of inventory norms and standards of maintaining reserves coupled with the rational handling of the stored goods at the producer and consumer enterprises as well as at the trade in means of production,
- Rationalization of transport, handling and storage processes by the optimum utilization of storage capacities, the greatest possible basic asset efficiency and the avoidance of materials losses,
- Maintenance of the use value of the stored goods by careful treatment, rotation and protection against mechanical and environmental effects coupled with the observance of safety, fire safety and accident prevention regulations,

--The enforcement of super-enterprise measures of common warehousing for selected materials to lower the costs of warehousing while optimizing transport routes and transshipment within the framework of regional rationalization.

Moral and Material Rewards for Working People Keeping Below the Norms for Materials Consumption and Maintaining of Reserves

Article 15

(1) General directors and combines and directors of enterprises must morally reward excellent results achieved by working people in the conservation of materials by effective methods of personal distinction. In the presence of prerequisites as per paragraphs 2-5, a material reward is also to be awarded as per articles 16-20. This does not apply if the saving is due to an innovator suggestion or an innovator agreement, when remuneration must be paid as per the regulations of the innovator decree.¹⁰

(2) A material reward for materials conservation in producing sections must be awarded if these working people prove savings over and above the job-related set and confirmed norms as the result of their own findings, experiences or creative work.

(3) A material reward for materials conservation in production preparatory sections must be awarded if such savings are achieved by the working people keeping below confirmed, topic and job-related set norms for the development of products, processes and technologies with a scientific-technological performance.

(4) The savings must result in an economic profit.

(5) The savings achieved by the working people must be documented so as to permit inspection: By the budget book, personal account, brigade account, duty book, engineers passport, assignment-related premium contract or other job-related documents.

Article 16

(1) The calculation of material rewards proceeds on the basis of the economic profit generated. (Starting from materials conservation), this profit is to be assessed in quantitative units by value consonant with the price that is cost effective in the enterprise. To be ascertained is the profit directly generated by the saving. To be taken into account while ascertaining the profit are the use reducing effects related to the saving. In the production preparatory sections the ascertainment of profit is to be carried out in conformity with legal regulations.¹¹

(2) If the planned reserve of material reserves is reduced without adversely affecting supplies for the economy and the public, standard ratio days are reduced and the appropriate return of funds initiated, this is to be considered a saving of materials in the meaning of this decree. The material reward is to be based on 10 percent of the plan reserves conserved as profit.

Article 17

(1) Savings achieved within the past 12 months are to be the basis of the calculation of material rewards for materials conservation,

(2) If norms are improved on the suggestion of a worker in the producing section, he is to be awarded the material reward for a period of another 12 months from the amendment of the norm.

(3) Payment of the material reward must be made promptly, and never later than 2 months after conclusion of the plan year or year of use.

Article 18

(1) Material rewards must be differentiated on the basis of the "table for the calculation of material rewards for working people keeping below the norms for materials consumption and maintaining of reserves" (appendix 2) and consonant with the quality stages of the norms (norms based on technical-economic considerations, statistics of experience and preliminary findings). The rates of material rewards listed in the table may not be exceeded. The provisions on the amount of the material rewards as per quality stages must be included in enterprise collective contracts.

(2) Enterprise collective contracts may provide that a material reward will be granted for the observance of norms in the case of the use of high-capacity technologies, if the more observance of such norms already represents a great challenge to the working people.

(3) Higher material rewards are to be awarded for the conservation of nationally important materials by comparison with material consumption norms. This is to be done on the basis of a central nomenclature.¹² The increased material reward is to be calculated by multiplying the amount as per table by the multiplier assigned to the respective material in the nomenclature. The material reward may not exceed a total of M30,000.

(4) Performances by working people in collectives of producing sections are to be assessed individually in the calculation of material rewards if the individual worker has achieved the result exclusively by his own findings, experiences or creative work. The amount of the material reward is to be calculated consonant with the savings achieved by one worker.

(5) General directors of combines and directors of enterprises must include in the performance criteria for the payment of the year end premium as per the provisions of the labor code the observance of norms by the working people in the producing and production preparatory sections.

Article 19

Material rewards must be financed by the enterprise where the saving originated. The financing of the material reward must come from the cost savings achieved. A material reward for the observance of norms as per article 18 paragraph 2 must be financed from the premium fund of the enterprise or the discretionary fund of the combine general director or competent minister.

Article 20

Material rewards are tax exempt up to an amount of M10,000 nor are they subject to social security contributions. Amounts in excess of the above are to be taxed at 20 percent as tax favored professional earnings. In the case of collective performances each member of the collective is entitled to the exemption.

Concluding Regulations

Article 21

(1) The Minister for Materials Management or the Minister for Glass and Ceramics Industry will issue implementing regulations to this decree in coordination with the competent ministers and managers of other central state organs.

(2) To safeguard overall state concerns, the Minister for Materials Management is authorized to issue special regulations on the work with standards.

(3) Ministers are authorized, in accoordination with the Minister for Materials Management or the Minister for Glass and Ceramics Industry to issue regulations for the implementation of this decree in their sphere of responsibility.

Article 22

(1) This decree takes effect upon publication.

(2) Losing effect at the same time are:

--Decree of 15 September 1971 on Economical Materials Use and Reserve Management as well as on the Orderly Management of Warehousing--Work with Norms and Indices--(GNI II No 69 p 589),

- Second Decree of 19 June 1972 on Economical Materials Use and Reserve Management as well as on the Orderly Management of Warehousing--Work with Norms and Indices--(GBI II No 39 p 444).
- Resolution of 3 May 1972 on the use of Standards Based on Technical-Economic Considerations in the Planning of Materials Consumption (special issue No 737 of the GESETZBLATT),
- Order of 31 July 1967 on the Outline Directive on the Text and Methodology of the Drafting and Enforcement of Proportioning Conceptions (GBI III No 19 p 77),
- Directive of 19 November 1969 on the Tasks of Production Preparatory Sections in Enterprises and Combines of Industry and Construction in the Field of Economical Materials Use (GBI II No 95 p 595),
- Order of 28 March 1973 on the Norming of Materials and Circulation Reserves (GBI I No 19 p 173),
- Order of 26 May 1975 on the Use of Standards Based on Technical-Economic Considerations in the Planning of Materials Consumption in 1976 (GBI I No 24 p 434),
- Order of 5 February 1976 on the Directive on the Enforcement of Resolute and Purposeful Work with Materials Consumption Norms in Combines and Enterprises (GBI I No 8 p 147).

FOOTNOTES

1. "Methodological Provisions for Enterprises Planning to a Reduced Extent--Appendix to the Order of 28 November 1979 on the Order of Planning of the GDR National Economy 1981-1985" (Special issue No 1020 r of the GESETZBLATT).
2. Decree of 12 November 1980 on the Management and Planning of the Packaging Industry--Packaging Decree--(GBI I 1981 No 2 p 17).
3. Decree of 30 October 1980 on Energy Management in the German Democratic Republic--Energy Decree--(GBI I No 33 p 331). First Implementing Regulation of 10 November 1980 to the Energy Decree--Management/Planning/Plan Implementation--(GBI I No 33 p 330) and Second Implementing Regulation of 10 September 1976 to the Energy Decree--Energy Management Norms and Indices--(GBI I No 38 p 452 in the version of the Order of 16 April 1979 on the Amendment and Supplementation of the Second Implementing Regulation to the Energy Decree (GBI I No 13 p 97).
4. Decree of 15 November 1979 on Materials, Equipment and Consumer Goods Balancing--Balancing Decree--(GBI I 1980 No 1 p 1).
5. Order of 22 December 1981 on the Use of Standards Based on Technical-Economic Considerations in the Planning of Materials Consumption (special issue No 1977 of the GESETZBLATT).

6. Decree of 17 December 1981 on the Duty Book for Research and Development Assignments--Duty Book Decree--(GB1 I 1982 No 1 p 1).
7. Order of 3 December 1976 on the Informational System for Basic Materials and Economical Materials Use and the Issue of State Use Regulations for Raw Materials and Other Materials (GB1 I No 50 p 565).
8. Resolution of 17 September 1979 on the Conduct of Monthly Reports by Directors of State Enterprises, Combine and Combine Enterprises to the Working People in Their Sphere of Responsibility (GB1 II No 78 p 547).
9. Decree of 38 January 1982 on the Further Perfection of Economic Accounting on the Basis of the Plan (GB1 I No 3 p 85).
10. Decree of 22 December 1971 on the Encouragement of the Work of Innovators and Rationalizers in the Innovator Movement--Innovator Decree--(GB1 II 1972 No 1 p 1).
11. Order of 5 February 1982 on the Outline Directive for the Ascertainment Planning, Supervision and Reporting of the Efficacy of the Measures of Scientific-Technological Progress (GB1 I No 8 p 165).
12. Order of 3 April 1981 on the Material Rewards for Working People for Savings of Nationally Important Energy Sources, Raw Materials and Materials (GB1 I No 11 p 134).

Appendix I to the Preceding Decree

Norms and Standards of Materials Consumption and Maintaining of Reserves

1. Norms of Materials Consumption and Maintaining of Reserves

--Materials consumption norms

Materials consumption norms based on technical-economic considerations

Materials consumption norms based on statistics of experiences

Preliminary materials consumption norms

--Norms for production preparatory sections

--Materials exploitation norms

--Materials utilization rates

--Reserve Norms

Reserve norms based on technical-economic considerations

Reserve norms based on statistics of experience

Preliminary reserve norms

2. Standards of Materials Consumption and Maintaining of Reserves

- Materials consumption standards
- Packaging materials consumption standards
- Standards for Maintaining of Reserves
 - Standards for reserves maintained by the supplier
 - Standards for reserves maintained by the consumer
- Mandatory minimum reserves

Appendix 2--Table for the Calculation of Material Rewards for Working People Keeping Below the Norms for Materials Consumption and Maintaining of Reserves

Economic Profit	Amount of Material Reward (Rates of Rewards)
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	to	1,000 M	16%	
From	1,001 M to	2,000 M	12% plus	40 M
From	2,002 M to	5,000 M	8% plus	120 M
From	5,001 M to	10,000 M	6% plus	220 M
From	10,001 M to	20,000 M	4% plus	420 M
From	20,001 M to	50,000 M	3% plus	620 M
From	50,001 M to	100,000 M	2% plus	1,120 M
From	100,001 M to	200,000 M	1.50% plus	1,620 M
From	200,001 M to	500,000 M	1% plus	2,620 M
From	500,001 M to	1,000,000 M	0.75% plus	3,870 M
Above		1,000,000 M	0.50% plus	6,370 M
		However, no more than a maximum of		30,000 M

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PROGRESS IN RAIL ELECTRIFICATION IN 1981 CITED

East Berlin SIGNAL UND SCHIENE in German Vol 26 No 4, Jul 82 pp 159-161

[Article by Juergen Meinecke; signed to press 11 Jun 82]

[Text] In the requirements contained in the directive to the 10th SED Congress it is stated, among other things: "Through electrification of an additional 700 to 750 km of railroad routes by 1985 and by including Berlin, the capital of the GDR, in the electrified network the efficiency of the railroad can be increased and the specific energy consumption can be simultaneously decreased by 28 percent. The possibilities, resulting from further electrification, for improving passenger traffic by shorter travel times and frequent transport service must be made increasingly more effective." These requirements defined the electrification activity in the first year of the new five-year plan for the GDR railroad.

1. Energy Management Situation

The use of petroleum as a basic material for producing diesel and carburetor fuel in the past decade was associated with constantly increasing expenditures of foreign currency. The changes in the raw materials markets, which occurred in the past few years, also resulted in new energy management considerations in the GDR's transport system since the entire transport system is among the major consumers of energy. With a share of about 15 percent it occupies third place behind industry and households.

In 1960 the GDR railroad claimed 75 percent of the energy consumed by all carriers. In 1970 the share was still 50 percent, and in 1980 it had declined to 20 percent which puts the GDR railroad in second place behind road transport. This unusual decline in energy consumption by the GDR railroad by more than 50 percent in the last 20 years has been achieved in a period when there was a 70-percent increase in transport volume. Thus, the GDR railroad became one of the most efficient transport means in terms of energy management. It is also noteworthy that at the same time it was possible to reduce labor requirements.

In respect to energy costs, the transport of goods by rail (with a share of 6.5 percent of the transportation costs) in contrast to the transport of goods by road (with a share of 32.6 percent) also achieves substantially more favorable values. Goods transport by rail makes possible a significant reduction in costs which in terms of the economy shows up favorably in the books.

The specific energy consumption in truck transport on the other hand is almost three times as high as with transport by rail in the GDR. Beyond that, if the specific energy consumption of rail transport with electric locomotives on the one hand is compared with diesel locomotives on the other hand, then once again there is a ratio of 1:3 in favor of the electric locomotive. Electrification of sections of the GDR railroad achieves the greatest importance primarily because of the altered energy management situation. Domestic brown coal is available as an energy source for electric train operation. Thus, it is a matter of developing in an intensified way the railroad as an energy-economical and cost-favorable carrier and to expand it on a priority basis by concentrated investment activity. Furthermore, this is supported by the fact that the cost outlay for maintenance of electric tractive units in contrast to comparable diesel locomotives is only about one-sixth and the cost in pure work time is even only one-fifteenth. Thus, electrification is the most important rationalization measure for the GDR railroad to meet the increasing transport tasks with simultaneous reduction in the cost of primary energy by about 20 percent and a decrease in cost of labor by about 10 percent.

2. Electrification of the GDR Railroad in 1981

For the reasons mentioned great efforts are presently being made in order to substantially increase the rate of electrification of the GDR railroad. The efficiency of the GDR economy has risen, new efficient construction and assembly technologies have been developed so that the rate of electrification can be substantially speeded up. Of the more than 14,000 km-long railroad system in the GDR at present 9 to 10 percent is electrified. In this connection we are talking about the most heavily traveled main routes in the southern part of the GDR, affecting six Bezirk cities--Magdeburg, Halle, Leipzig, Karl-Marx-Stadt, Dresden and Erfurt. The share of electric train transport in the overall transport capacity amounts to about 20 percent.

2. 1981 Utility Values

In electrifying the Bitterfeld-Berlin and Dresden-Berlin routes the goal for 1981 of the representative of the investment allocator, the Construction Headquarters for Electrification in Leipzig was to open up for electric train operation 72 km of route with 234 km of catenary. Specifically, for 1981 the schedules called for putting the following into operation:

Route	km	Catenary km	Date of Beginning Operation
Luckenwalde (a)--Ludwigsfelde (e)	25.0	78.0	9/81
Elsterwerda (a)--Doberlug/ Kirchhain (e)	20.0	58.0	5/81
Doberlug-K. (a)--Uckro (e)	27.0	74.0	9/81
Total	72.0	210.0	

It was possible to exceed the target for 1981 because of the performance of all the construction and assembly collectives which were involved in preparation and construction. For electric train operation the following were opened:

Route	km	Catenary km	Date of Beginning Operation
Luckenwalde (a)--Ludwigsfelde (e)	25.0	78.0	9/81
Elsterwerda (a)--Doberlug/ Brenzitz/Sonnenwalde (e)	30.0	81.5	5/81
Brenzitz/Sonnenwalde (a)--Uckro (e)	17.0	47.1	9/81
Uckro (a)--Golssen (e)	14.0	39.9	12/81
Total	86.0	246.5	

Beyond that, in 1981 an additional 109 km of catenary have been prepared for utilization in 1982,

The prerequisites for the necessary line power supply (decentralized) were created in 1981 as follows:

--Bitterfeld-Berlin project: delivery of the Ludwigsfelde power converter station with an output of 20 MVA [megavoltamperes] in September 1981. Construction on the Wustermark and Rummelsburg power converter stations was begun.

--Dresden-Berlin project: delivery of the Doberlug-Kirchhain power converter station with a capacity of 20 MVA in May 1981 and an additional 10 MVA in July 1981. Construction of the Wuensdorf power converter station was continued.

--Berlin-Rostock project: construction work on the Loewenberg power converter station was begun.

In contrast to diesel traction, electric train operation requires by far greater economic preliminary work. In order to guarantee a timely start of operation of the electric installations mentioned, extensive work had to be done in advance in respect to the following:

- adapting the safety and telecommunications facilities
- adapting the power plants
- building the local control stations
- removal of sections on existing bridges
- measures for shock protection on bridges and for new construction of pedestrian bridges,

In the Bitterfeld-Berlin electrification project the Trebbin and Ludwigsfelde railroad stations were expanded into transformer railroad stations. As a prerequisite for locomotive sidings the overhead contact system was supplemented by additional catenary, passable paths for train personnel and shunters, respectively, were built and the appropriate safety equipment installed. In line with the transformer technology which has been developed electricity is used for optimal train operation both in freight and passenger traffic. For the Dresden-Berlin electrification project in comparable measures were established for transformer technologies in the Brenitz-Sonnevalde, Uckro and Golssen railroad stations. This system of immediate utilization of partial sections is being consistently continued.

2.2 Efficient Processes and Technologies

The growth in progress in electrification in 1981 can basically be attributed to the refining of existing technologies and the development of new technologies, respectively.

--For the foundation of the overhead contact line substructures the existing technology of the land-based foundation and the technology of rail foundation were improved. A noticeable increase in capacity was achieved through the assembly of additional complete and efficient rail-mounted concrete mixing trains for cast-in-place concrete foundations by the main contractor (HAN) for construction, the Berlin electrification and engineering construction enterprise of the GDR railroad.

--For the use of prestressed concrete poles on the clear sections drilling complexes with a maximum performance were combined in order to realize the advanced technology of the sleeve and prestressed concrete pole.

--The ram-pile foundation was developed as a new technology. The heavy lattice towers with four vertical members for the transverse structural members of electrification are at present set with massive foundation blocks in open foundation pits with linings. This time-honored method of construction for the foundation had to be replaced by more efficient processes and technologies in line with the necessary increases in performance in the 1981-1986 five-year plan period.

Thus, in 1981 the GDR railroad initiated experimental testing of ram foundations in the Priort and Wustermark railroad stations and concluded with a technology which will be put into practice starting in 1982. This ram-pile foundation consists of steel sheet piles welded together and a head for pole types having a lattice tower foot spread measuring 600 x 800 and 800 x 1,000. This accounts for about 80 percent of the assortment of angle poles which are used in electrification. This head is a concrete body reinforced with sectional steel with an appropriate recess in the middle as a precast unit, which is mounted on the pole, aligned and cast in place.

Joining the heavy contact line lattice towers with the finished ram foundation is done by means of the four anchor bolts per angle post which

are built into the head. Clamp forces at the pole base are transferred to the head via four corner angles and the diagonals of the reinforced sectional steel combined with the concrete walls and are released from a horizontal force couple to the foundation pole. Ram complex G 41 S is used to accomplish this.

With the technology and equipment used to date several tracks had to be closed down during the concrete pouring process. With the new method only one single track is closed and thus better consideration is given to the "move while building" requirement.¹ With this technology difficulties on routes with extraordinarily complex soil conditions (marsh layers and so on) can be overcome.

--For assembly of the overhead contact line system from the contact line posts there are advanced system and model technologies from the VEB Travel and Overhead Contact Line Construction Works, Halle. For the manufacturing processes of "setting fully completed overhead contact line poles" and "rail power line train and cross-field assembly" helicopters from Interflug are utilized in accordance with model technology. A comprehensive technology developed for this is the basis for developing the work cycle technologies which are tailored to the installations.

The technology which has been constantly refined in the past few years has contributed to a substantial increase in work productivity. The following rates of increase can be demonstrated:

Post setting	13-fold rate of increase
Cross-fields	11-fold rate of increase
Rail power line train	5-fold rate of increase

This technology makes it possible for the GDR railroad to fully maintain freight and passenger train traffic and likewise do justice to the principle of "move while building."

--For the assembly of the catenary there exists an advanced model technology of the "complex contact wire support cable train."

Rail power supply also came up with new thoughts in 1981 in respect to the construction of decentralized power converter stations. Increasing the efficiency of the GDR railroad imposes new standards for railroad power generating plants on the basis of the economic requirement of accelerated progress in traction conversion and concentrated preparation and implementation of the investment with simultaneous reduction in investment costs. Effective 1981, beginning on the Berlin-Rostock route which is to be electrified, further developed power converter stations will be built jointly with the economic partners.

Decentralized rail power generating furthermore will depend on the principle of the rigid coupling of the 50 hertz three-phase power of the

energy supply with the railroad supply line of 12 2/3 hertz of the GDR railroad, with the help of movable, rotating synchronous-synchronous transformers. The new solution of the further development of the power converter stations of the GDR railroad provides for the following essential features:²

--Optimizing the technical and construction-based overall order by simplifying the 110 kV outdoor substation and compact development. Saving in ground area, construction and equipment of 20 to 29 percent each.

--New shaping or reshaping of the medium and low voltage switching plants (savings of switch gear cubicles up to 50 percent).

--Optimal dimensioning of contact rails, cables and power cables (savings in pure aluminum up to 50 percent, in power cables up to 30 percent).

--Use of accumulated energy through the use of heat pumps for complete substitution of electric energy for heating and hot water processing (saving in electricity about 500 MWh/a).

--Simplification of the ventilator facilities and thus decrease in assembly time.

--Further development and expansion of the system of reusable preparatory data and use of modern design technologies, reduction of design costs.

Fulfilling this set of tasks in the program of route electrification requires that all cooperating partners of the economy, all construction and assembly enterprises of the GDR railroad which are active in route electrification, and the construction enterprises of the other sectors which produce the necessary stationary equipment, on up to locomotive construction, make their contribution in a timely and very comprehensive way. This presupposes close and efficiently coordinated cooperation of all involved enterprises, offices of the GDR railroad and facilities from the most diverse branches of the economy. An essential means in this is still represented by the complex competition in route electrification in which all sectors work with competitive agreements purposefully to fulfill the tasks.

FOOTNOTES

1. Priort Railroad Station Project of the EVDR
2. Report of the VEB Radebeul Energy Construction Plant

12124

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EGALITARIANISM STILL HAMPERS BETTER ECONOMIC PERFORMANCE

Budapest MAGYARORSZAG in Hungarian 29 Aug 82 p 25

[Article by Istvan Matko: "Auction"]

[Text] Everyday language has a strange way of putting it: it means one thing to work and another to earn money. The former refers in general to activity which despite a great deal of (or valuable) work does not bring adequate gain, while the latter earns abundant profits. Instead of going into lengthy etymological interpretations, it is worthwhile to add that this outlook has firm and objective bases: the experience according to which income does not (or does not always) adjust to actual achievements.

A Flood of Problems

This line of thought should come into our mind in connection with the strictest price measures of recent years. Because it is true that the external conditions of the economy are unprecedentedly unfavorable for us--it is difficult to sell our products because of the recession in the world economy, and because of the avalanche-like flow of financial difficulties, the withdrawal of foreign deposits, and the "credit stalemate" we cannot acquire an appropriate volume of foreign payment means--but the external circumstances do not give us an answer as to why in a situation like this we are regularly consuming more than we produce. In the semiannual evaluation of the balance of the economy, we must clearly differentiate between two factors: to what extent can our problems be ascribed to production and to what extent to distribution.

It is obvious--as was also established in the most recent announcement of the Central Statistical Office--that production in the first half of 1982 rose substantially above the plan (by 2 percent), while at the same time the population's income (in wake of the increase in enterprise profits over the targets) exceeded the goals (in wake of enterprise profits that exceeded the plan). The development of the population's monetary income gives an appropriate vantage point to judge the extent of the increase: it is 6 percent more than in the first half of last year.

Let us recall the 1980 preparation, the very important goal of the Sixth Five-Year Plan beginning with 1981: those who guide economic policy had

already arrived at the conclusion that we must implement a stabilization concept. That is, for the sake of maintaining the economy's ability to pay (equilibrium situation) we cannot decide on raising living standards and increasing consumption to that extent.

Guarding living standards is the realistic goal. It is necessary to subordinate income distribution to this goal. Moreover, we must above all devote the greatest strength (material strength also) to increase exports that improve the balance. This formula gave a clear direction to the production tasks of industry and agriculture, and gave of course a modest framework to consumption. Consumption (in the wake of money circulation) exceeded the possible limits, however. Production reached the quantitative goal, but unfortunately it was not marketed as called for by the greatly strained requirements. A significant increase in exports did not come about, and in fact industry was not even able to fulfill the planned export increase. Therefore, export results, as they developed, could not contribute adequately to an improvement in the equilibrium, even the export indexes worsened in the nonruble account area.

The loss in terms of trade comes to about 3 percent as compared to last year. The surplus production, of course, did not go into storage, but was absorbed by the purchasing power which had increased the plans and efforts. (State investments were not expanded considerably, and the enterprise investments on the other hand exceeded the prescribed--possible--rates.) It is also a part of the truth, of course, that dollar account imports were moderated as compared to the same period the year before, and this factor was of such weight that our foreign trade balance in this trade relation was better than in the first half of last year.

But it is not possible to live from savings alone and to achieve a radical qualitative change, we can arrive at this only through the harmonious development of production, export, and internal consumption. In our case, this means that we must unconditionally increase our foreign market achievements--and moreover in such a way that meanwhile we will "put the brakes" on our domestic consumption appetite. Anyone who thinks this task through will immediately understand what a complicated, keen and difficult task it is. The question rises whether it is possible at all to solve this dilemma. Let us examine those processes and events which evoked the present situation of the Hungarian economy. We do not need to outline what is in the world outside, and in practice what kind of requirements it mediates to a country which realizes more than 50 percent of its national income on foreign markets. The world market conditions are well known. (At the most, it is also worthwhile to know that these market difficulties are worse than we had calculated, or than the difficulties which the planners had forecast. Not only are the financial problems more serious but also certain socialist imports have decreased for us--in energy and basic materials.) In addition to the external features, the enterprise processes have not changed favorably on our behalf. Or to put it more exactly: enterprise management did not develop in the way defined by a narrowly determined area of mobility.

Clumsy Wage Management

The semiannual enterprise balances which are evaluated in the Ministry of Finance can give us an account of these considerably complex phenomena. This year's most important experience has been that despite the January regulator changes--received at the time with serious reservations and regarded as too strict--greater enterprise revenues were formed than planned. (Istvan Hetenyi, finance minister, stated on his "168 hours" program on the radio that our problems are primarily with those enterprises which do not reach even average, medium levels with their production, but still are able to earn considerable revenues and carry out wage increases. This is the circle of enterprises which one way or the other can obtain those sums of money which it cannot gain through production.)

Most of these enterprises "acquire" profits through central support, and this is what they distribute to their workers as surplus. In this way, monies which have been obtained without work and lack an achievement cover, circulate from the national income into the consumer sphere. To put it simply: money passes into circulation which does not have commodities, that is, value behind it. Facts show that although the financial rules have been tightened a great deal, their effect is unfortunately weak. The future attack "from below" easily breaks through the closed ring of economic interests--and life belts are thrown to the deficit enterprise from somewhere. It may continue to vegetate, consuming thereby material, manpower, and state resources--there were ample examples of this in the first half year. But it often happens that such a transfusion of forints to anemic factories is made at the expense of dynamic plants that are capable of developing.

Such problems in themselves are enough to disturb a value system that is adjusting to achievements. But there was still something else among the experiences of the first half year: the large, dynamic firms also began to feel the competition of the well-functioning "entrepreneurial islands"--at least on the labor market. Could they have ignored the fact that their outstanding workers, engineers and economists departed because, let us say, a subsidiary branch enterprise is able to pay much better? Obviously not. "Auctions" have been started and continue at work places: Who will bid more for the best workers, for the representatives of the trades where there is a shortage of manpower?

This "auction" also has advantages because in the end it may ease the striking wage asymmetries (within the large enterprises) among economists, technicians, and the computer technology intelligentsia, but finally it still caused an additional wage outlay. At least it does not help in preventing wage outflow...

As a third factor, we can fasten on the more and more obvious contradictions of wage regulation. For years a debate has been waged over this system by economists, official organs, managers and subordinates. There is no denying it is difficult to establish a wage regulation system that is adjusted to the conditions of socialism and creates appropriate incentive--perhaps it is possible only at the price of compromises. It has been evident that these

compromises tended toward the weak side. Because of overcautiousness and the contradictory internal levers, the acquisition system was similar to a car that has its gas pedal and brake depressed at one and the same time. The method used the year before in industry and agriculture will be transformed again in 1983 but with more fortunate results, we hope, than in the case of the previous one. It is certain that the present form is unsuitable for use; our experiences in the first half year emphasize this.

We need not explain a situation where if surplus income is released into the streets as purchasing power it is necessary to have the commodities that will meet its demands. If not, then...It is not exclusively an economic interest that bespeaks the maintenance of harmony between supply and demand. Therefore, we also had to take the unpopular measures, for example, of raising to a great extent the prices on basic consumer items.

There Is a Way Out

It is evident from the above sketchy and somewhat simplified picture that with the help of state measures we can have a practical area of mobility and a possibility to solve the complicated economic task--continuous improvement in the equilibrium situation of the economy and in ability to pay while at the same time also undertaking our living standard policy goals. To this end, we need continuously to shape the regulators, and strengthen their normativeness. It is to be expected that such measures will be passed, or already have been. Now it is necessary that we give validity, for example, to improving the internal financing of weak enterprises, or to limiting their production. As an unavoidable step, we must try by every means to prevent an outflow of wages independent of achievements, and moreover in such a way that in the second half year--at those places where this occurred. We cannot avoid further tightening of investment and credit conditions, the statutory provisions for doing so already exist. In addition to all this, it is necessary to emphasize that this is not the kind of belt tightening that squeezes everyone without exception. Economic policy cannot renounce differentiation either in respect to the individual or the enterprise.

6691

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FARMS SCORED FOR FAILURE TO MAXIMIZE IRRIGATION

Budapest FIGYELO in Hungarian 1 Jul 82 pp 1, 13

[Article by Peter Bonyhadi: "Auxiliary Troops of the Rain God"]

[Text] When there is drought, one has to irrigate. But in modern agriculture irrigation is more than just protection from the drought, it is at the same time also intensive economic operation. Irrigated agricultural operation is characterized by a special crop structure, precisely calculated and applied chemicals, huge yields, a high level of technological discipline, and advanced agricultural infrastructure. The old civilizations based on irrigation (Mesopotamia, Egypt) also rose over their socio-geographic environment because, measured by the standards of that era, they used water conscientiously in the production of crops. At that time it was the river valleys. While today, here, in Hungary with limited land instead of adding hectares to production, land is being withdrawn. In a situation like this one is forced to cultivate the land intensively to increase production to supply the population.

Today all these things are basic truths bordering on cliches--yet in Hungary during the time period of the Fifth Five-Year Plan the irrigated area decreased by over 81,000 hectares. Barely 60 percent of the irrigation equipment valued at 10 billion forints was used. The ratio of water demanding crops that can be grown on the irrigable acreage (about 0.3 million hectares) is stagnating. That is, of those crops which are worth irrigating. In contrast with this the growing area of cereal crops is large, and there are only traces of two-crop production. Only 25 percent of the sugar beets and large scale potato crops, which are extremely appreciative of irrigation, and 35 percent of the vegetables are produced with irrigation.

Even though in contrast with the national net sugar yield of 4.3 quintals per hectare, the sugar beets can yield as much as 9.6 quintals of sugar per hectare with irrigation. Irrigated potatoes also yield twice as much as those without. So that there will be no misunderstanding, it also decides the question whether to irrigate or not to irrigate these crops and what the nearby processing capacities are. In addition to this it should also be considered whether that present calculative principle that the value of

the land is not considered, or considered only indirectly--by way of taxation--, is tenable. If we wish to consistently implement the conditions of intensive economic operation, the interested parties must be urged to operate wisely with the limited resources. If intensive utilization of the land were profitable, then the entire set of problems of irrigation would be seen in a different light. That is, the facts nowadays suggest that a smaller area is being irrigated than should be, or could be.

The unexploited irrigation opportunities, the large yields of irrigated crops, and the decrease of the irrigated acreage are so conspicuous that there can be only financial, or--broadening the circle a little,--economic reasons for it.

Evaporated Desire

The reasons given by the farms is that the price of water has increased tenfold. It is a convincing one when one hears it for the first time. But no matter how impressive this information is, by itself this explanation is insufficient. That is, for almost 20 years the fee for water was uniformly 40 forints per hectare. In 1979 this price covered only 9 percent of operating costs of the main water pumping stations. The balance was paid out of the central budget. Raising the fee for water changed this situation. The tenfold price--which, when written down like this, really does appear to be stunning--was actually necessary to cover the actual costs. But the water fee even so is only 8 to 12 percent of the total cost of irrigation. Thus the scope of the investigation must be expanded in order to understand the reasons for the evaporated desire to irrigate.

In the last plan period average yields by farms working with dry production, as well as those irrigating, increased. However, in contrast with the increase average yields the specific value of the net income of the farms has decreased each year. For example, in the category of irrigating farms at the top of the list the net income of the enterprise per hectare was 5,136 forints in 1977, 4,518 in 1978, and 3,801 in 1979. The reasons are well known: production costs have increased. For example, between 1975 and 1979 the price index of materials of industrial origin used in agriculture increased by 120.7, of energy sources by 134.6, and of chemical fertilizers by 120.3. As a consequence of this, the other costs of irrigation also increased. For example, while the cost of irrigating one hectare was 1,638 forints in 1976, this increased to 3,807 forints by 1980. Only 430 to 450 forints of the 2,269 Ft cost increment can be attributed to the water fees.

In the last 3 years the cost of equipment needed for irrigation rose by 50 to 100 percent. Subsidy conditions have also changed. For example, while a 40 percent state subsidy was given in 1979 for irrigating machinery, it was only 15 percent in 1982. The targeted investment program classification of investments that pipe the water to the acreage to be irrigated (hydrants) has been eliminated. The 60-year repayment time had represented an insignificant burden to the farms.

The significant and necessary cost increases are only partially counter-balanced by the rise in producer prices. Between 1975 and 1979 the producer price index increased to only 113.6 for production activity as a whole, and to 115 for produce. Thus the value of the incremental yields grown with irrigation did not increase by the same extent as have the incremental expenditures for irrigation.

Water Rights Permits

And during the time span of the Fifth Five Year Plan the farms wanted to include an additional 114,000 hectares in irrigation, and simultaneously they wanted to rebuild the obsolete irrigation equipment on 93,000 hectares. In the first 2 years of the plan period everything progressed time proportionally in accordance with the plan. Irrigation facilities were completed for 35,551 hectares. Reconstruction was completed on 67,000 hectares by replacing the portable irrigation equipment. The already mentioned financial changes made in the middle of the plan period interrupted this process.

Besides the existence or absence of the technological and technical conditions the legal and financial framework of irrigation farming also deserves attention. The legal basis of irrigation is the water service contract. The so-called water rights permit is what costs money. The base fee depending on the place, manner, etc of obtaining the water is 80 percent of the water fee, and the amount paid for the water taken is 20 percent of the actual water fee. This means that the farms have to plan in advance how much water they will use. This on the one hand, is quite difficult to do because specifying the "from-to" limits is determined by very many practically uninfluencible factors, and on the other hand, this does not provide an incentive for the irrigators to conserve water. ("Let the water come," if by chance the plan turned out to be too loose.)

The water rights contracts serve not only the official character of irrigation. The national irrigation service determines the construction and start up schedule of the main water pumping stations on the basis of this, that is, this is how the expenses and the water supply are managed.

But the water supply systems have more water than what the agricultural operations are contracting for with the water rights permits. Therefore, sort of like running after their money, since the water pumping investments built with budget money must be operating, they have even issued one-time water rights permits to the farms. Thus if someone decided to embark on irrigation, they had a chance to try it out.

But many farms surrendered even their permanent water rights permits and applied for a temporary one, in order to escape having to pay 50 percent of the base fee. Of course, this did not develop into a system because since 1981 a water rights permit could be obtained only once for a given area.

But the farms do not always apply for a water rights permit even for the existing irrigation equipment. For example a representative study done in Szolnok megye on 9 farms found 125 mobile irrigating machines, but only 37 of them had water rights permits.

The farms that quit irrigating care little about the further use of the equipment even though the retired and manually rebuilt irrigating facilities could certainly be used in the household plot operations and small gardening cooperatives.

Underutilized Main Facilities

With respect to the ratio of the dry farming acreage it appears that irrigation affects only a few large farms and a few hundred thousand hectares. Even ignoring the significance of the additional production obtainable with irrigation to the national economy, the question of irrigating or not irrigating is not the internal affair of the farm. And not only because building the so-called main facilities required state investments in the order of magnitude of billions [of forints], but also because among the crop production tasks of the Sixth Five Year Plan the most important one is to decrease the planting area of the main crop fodder plants by about 200,000 hectares.

This 200,000 hectares is the basic condition for the grain program. The 15 million ton harvest planned for the end of the plan period can not be achieved by only increasing the yields. The growing area must also be increased. But this is possible only if dual utilization of the land becomes broadly accepted wherever possible, for which irrigation is necessary.

Let there be no misunderstanding! This is not the same as planting into the stubble, and it can not be made into a national campaign. Changing the planting structure includes increasing the yields of the main planting fodder crops and of the grass [hay] growing areas by means of irrigation; development of a selection of crops and types which under irrigated conditions are able to either alternate as second crops with the main planting fodder crops, or are suitable for growing as second planting saleable crops, naturally always as they fit into the production structure and technical preparedness of the given farm.

The underutilization of the existing main water service facilities worth about 10 billion forints is a problem. During the time period of the Fifth Five Year Plan--in coordination with the agricultural operations--and in harmony with the irrigation improvement plans of the farms, several main facilities were built for which the connecting utilization facilities have not been built so far because of the already mentioned changes in the economic regulators. Thus, for example, there are significant new, modern, and unutilized main works costing several hundred million forints on the land of the Hajdusag Multipurpose Water Management System and of the Bekes megye irrigation system. But no irrigation network was built for the storage reservoirs in Monok or in Nagybarat, either. No wonder, since

for example the investment cost of semipermanent underground irrigation facility for one hectare reaches as high as 60,000 to 65,000 forints.

But there are promising, and what is more important, less costly initiatives: the Danube Shore and Kiskunsag Water Management Association built underground, semipermanent irrigation facilities in 1979 on 735 hectares for the Uszod-Fokto TSZ [producer cooperative], on 620 hectares for the Dunavecse TSZ, and on 236 hectares for the Apostag TSZ, where instead of 60,000 to 65,000 forints the per hectare investment cost was only 20,000 to 26,000 forints. They achieved this significant cost saving exclusively with work organization and technological solutions.

Well, shutting off the irrigation taps is not the only possible reaction to the undoubtedly unfavorable economic conditions!

8584

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INTERVIEW REVEALS FUTURE PLANS FOR ECONOMIC STIMULATION

Warsaw ZYCIE GOSPODARCZE in Polish No 29, 8 Aug 82 pp 1, 4

[Interview with Vice Premier Zbigniew Madej, Chairman of the Planning Commission, by Stanislaw Chelstowski; date and place not specified]

[Text] The Planning Commission has completed the first stage of work on the plan for 1983-1985 and its forecast to 1990. The results of this work will be made public in forthcoming days. Since they evoke the great interest of a broad spectrum of social organizations, we requested Vice Premier Zbigniew Madej, Chairman of the Planning Commission, for an interview and to give us a bit of information and commentary on the subject of what we can expect in the near future and somewhat later on.

Zbigniew Madej: The Council of Ministers has already adopted the bases of the 1983-1985 plan and the preliminary forecast to 1990. We are currently laying the greatest stress on the 3-year plan bases. This is still not a draft plan, because, pursuant to the new planning principles, the presentation of the bases is the obligation of the government, whereas the adoption is effected by the Sejm. We are now entering a stage of evaluation of bases through the Sejm commissions, we are presenting them to political parties, youth organizations, and before the broad public eye. We predict a period of 2 months for discussion, for evaluating what we have prepared, and for selection of the variants represented. On this basis, during the fall, we should make our specific selections and prepare a draft plan that we will present to the Sejm for ratification.

Stanislaw Chlestowski: Why has a 3-year period been chosen?

[Answer] After a 2-year hiatus, this is a return to mid-term planning. We are operating in a 5-year planning cycle, in the same way as other socialist countries, and the final period of 3 years is left for us. This is the first premise of an official-schedule nature. However, it is also a substantive premise. This 3-year plan is fundamentally a plan for guiding the country out of its crisis. All the calculations indicate that by 1985, the level of the precrisis period can be attained in the main economic areas.

[Question] What is the keynote of this plan?

[Answer] Stopping the downward trends in industry is the task of 1982. During the course of the next 3 years, an economic reawakening should occur. The industrial production curve should shape up by 3-4 percent annually, and farm production within the scope of 3-4 percent annually. Many other countries have been attaining this kind of production growth in recent years. Of course, we are starting off from a lower level, after a period of production downturn. However the characteristic feature of the aforementioned period is not its double-digit growth rates, as, for example during the 1950s or in Poland during the period of the First Three-Year Plan in 1946-1948. Neither will the kind of growth that took place during the 1970s take place either. Currently, that type--as far as growth rate is concerned--is not coming about either in the socialist countries or in the capitalist countries. The growth curve we are anticipating is no kind of phenomenon, of course--it matches up with the general developmental trend in the world.

[Question] If the Sejm, or even on a broader basis, the public, is supposed to make the selection, it must have something to choose from, from various concepts or variants.

[Answer] Yes. We are presenting the bases of the 3-year plan in three variants, however, in conformity with the requirements of the Law on Planning, and with public expectations. But this is not the only reason. In this case, we are not concerned with the satisfaction of a mode for diversification of various solutions. This results from a genuine need, from our specific situation.

At this time, we do not know exactly how the external structure of economic and political relationships that have quite some influence on our internal situation will shape up. We do not know how capitalist companies are going to react in the question of tightening up or restoring trade contacts with Poland. We are always open to these contacts, but everything does not depend upon us alone. For, many of these companies are at crossroads, they are dependent upon the policy of their own governments.

However, we have adopted three variants of the situation connected with foreign trade. The first variant forecasts a deterioration of the situation with this trade with capitalist countries in relation to the current situation. Of course, this is very undesirable for us, and I judge that it is so for many companies. However, such a turn in the situation must not be excluded, none the less. Various centers, especially political centers, continuously bring up the question of declaring the insolvency of our country. Well, this is the bleakest variant, which, however, we have to take under consideration, although it is necessary to do everything possible so that such does not come to pass.

The second variant assumes a gradual rectification of Polish relations with foreign companies, and a gradual turnaround in credits.

The third variant then assumes, quite optimistically, a rapid change in the relationship of Western firms toward Poland. This variant also entails certain conditions. It depends on the state of international relations not only with regard to Poland, but also on a worldwide scale. If the capitalist countries return to a policy of detente, then we can count on a more fruitful development of trade contracts.

The most probable, in my opinion, is the middle variant. In developing variants of the bases, we also considered the domestic situation. We assume gradual social-political normalization, which also speaks in favor of the second variant. Perhaps it is the most realistic. The national income growth rates that I cited earlier apply specifically to this variant.

[Question] In the realization of the second variant, how will the situation shape up on the domestic market, which is the thing that is most vital for the public at large?

[Answer] During the period of the coming 3 years, we wish to bring the market back to normal gradually, to eliminate the ration system, and at the end of 1985, to achieve the kind of situation in which the law of supply and demand governs the market. Of course, in its basic segments, where prices would have the decisive vote and not the method of administration distribution, the achievement of such a state would require substantial changes in the structure of production.

The restructuring of the economy, as this is called in a not too nice way, should be in conformity with the adopted priorities, meaning above all, placing the main stress on the development of agriculture and sectors that are connected with agriculture. What is concerned here is the attainment of self-sufficiency in food production, in an economic sense, of course, it means doing so in such a way as to balance out imports and exports. Because surely we will continue to import a certain quantity of grains, while we would be exporting other farm products. The food production sector, however, must earn enough for its own keep. For this, a great effort is required by both agriculture and the sectors connected with agriculture.

Secondly, it is necessary to change the geographic structure of trade turnover with foreign countries. Before the current crisis, more or less half of the trade turnover was effected with the socialist countries, and half with capitalist countries. Currently, turnover with socialist countries amounts to 62-63 percent. This trade turnover structure was one way or another forced upon us by the sudden drop in imports from the capitalist countries. During the course of the coming years, we want to maintain this structure deliberately, we want to link ourselves even closer with the socialist countries. This also stems from the fact that the developmental trends within the country will give preference to such a state of foreign relations.

In exports, the turnover with capitalist countries will encompass our traditional markets, which we wish to keep, and in imports, they will be mainly for the manufacturing industry, whose operations depend upon these imports. During the seventies, we organized manufacturing industry based on licenses from the West, which created technological ties with capitalist firms. It would be uneconomical to break these ties, especially, where it is impossible for us to replace components or elements for production with domestic products. The shift in foreign trade will, at the same time, be an important shift within our industry.

[Question] Let us go back to the plan variants. Do they exhaust all possibilities for selection? In this case, would it be very limited, unofficial, and

factual, since, the variant which shall be realized, to a considerable extent, does not depend upon us.

[Answer] No, they do not exhaust all possibilities. With the middle variant, we are proposing a specific "subvariant," the acceptance or rejection of which depends completely upon the decision of the public. This concerns the introduction of a 6-day workweek during the coming 3 years. In this case, the entire program of emerging from the crisis can basically be reduced by a year, which means that the industrial production level of the precrisis era ought to be attained in 1984. We are putting this under consideration as an alternative: either a 5-day workweek in the greater part of the economy and 3 years to emerge from the crisis, or a 6-day workweek, and we shall reach this same goal in 2 years.

[Question] The production level in many branches of industry, however, depends not on worktime, but on the supply of materials.

[Answer] Yes, this mainly concerns supplies from imports. We are going to take account of this. Our calculations are based on the proposition that in foreign trade, the second variant will be realized, that recovery will ensue. This would assure a certain necessary flow of raw and other materials from capitalist countries. I consider that it is worthwhile to discuss this question and to present it for judgment by the public.

[Question] Does this exhaust the main perplexities of the 3-year plan bases?

[Answer] There are very many of these perplexities. We spoke about supply. The main problem of the coming 3 years will be economizing on raw and other materials. This will also be so, however, in the period up to 1990. Until that year, for example, we are assuming an industrial production growth within the bounds of 40 percent, and a delivery of basic raw materials in the bounds of 19-20 percent. This means that industrial production growth has to be at least 50 percent based upon savings in materials. The most significant is the matter of coal. Thus, the entire growth of industrial production in Poland up to 1990 has to occur with a zero growth in the extraction of coal, or total dependence upon savings in coal. This is one of the most difficult tasks.

[Question] Is it realistic?

[Answer] The other solution--an increase in consumption, as has been the case up to now, requires considerable investments in the coal industry. Many mines are coming to the end of their resource lives. The investments in the coal industry, which are not at all insignificant, have to be earmarked for opening extractive capacities. We are too poor to expand them, currently, we haven't got the means to do so. Why, the increase in investments would have to be reflected in a drop in consumption. Thus, the task that all of industry is faced with is enormous, however, it is not impossible to realize. There are several countries that have been recording a several-percent rise in the production curve for years already without an increase in the consumption of the basic materials, energy and coal.

[Question] Is the 6-day workweek--through increasing the labor input--a way to a better utilization of raw materials, to a certain substitution?

[Answer] A temporary reversion to the 6-day week can be one of the motive forces for accelerated emergence from the crisis. However, it is an extensive method, which does not mean that it should be underestimated. Under our conditions, it is necessary to utilize all opportunities, and this is a very vital one and we are presenting it with full consideration and conviction that it can play an enormous role in the coming years. Savings in materials requires another kind of developmental motivating force, an activity of an intensive type. This type includes technological innovation, interventions of an organizational nature, changes in technology, and the use of science. This applies not only to savings in raw materials in industry. We are also eyeing the tasks of agriculture. Currently, we are harvesting about 20 million tons of grain annually in our country. We harvested that amount last year, and we hope to attain the same amount, more or less, during the current year. At the same time, we imported over 7 million tons of grain annually. But for the kind of consumption of meat, bread, etc. that we attained in the past years, we had over 27 million tons of grain. Nearly one-third was derived from imports. The maintenance of this consumption would currently necessitate an increase of the production of grain in a short time by one-third, given the importing of grain for other agricultural products produced in Poland, because the capabilities for importing on credit are practically nil. An increase in harvests of 7 million tons of grain during 3 years is impossible. Statistics show that the attainment during the course of a year of a growth in the production of grain by 400,000 or somewhat over 400,000 tons is the upper limit of current capacities. In order to produce domestically, then, what we have imported thus far, 17 years would be required. Such a solution is inadmissible.

[Question] So, what kind of solution do you propose during the 3-year plan period?

[Answer] We are placing great tasks in sequence before agricultural sciences, before the organization of agricultural production and its servicing. Without elements of the "green revolution" in our country, we shall not solve this question. We have to go about it on two roads: imports for a certain specific time and, simultaneously, a concentrated effort toward growth in grain production, and better use of grains. We speak here of an increase in fertilizing, a promotion of agrotechnical crops, and economization measures in livestock raising and food processing. This task confronts the entire economy. If we are not able to do this--then the plan bases will be suspended in a vacuum. This is a regular element of the intensive solution of the problems we are faced with.

[Question] Can the elements of the intensive type of development also necessitate changes in current investment concepts?

[Answer] Certainly! Especially since in the distribution of investments, the determinations have been made for us to a considerable degree by decisions that have already been enacted. It has been determined that 30 percent of all investment outlays in the country shall be earmarked for food production and the next 30 percent for housing. We, the planners, therefore, can decide only on the remaining 40 percent. This must be sufficient for industry and all other economic sectors. This is a very difficult dilemma, especially for industry.

The development of the extensive method and also the method of "expansion" is practically impossible under these circumstances. For this would even be senseless, because we are not utilizing fully the production potential built during the seventies. Industry must make full use of what it has, it must modernize itself, it must use innovations in order to squeeze out as much as possible from its existing potential.

[Question] Would this also concern, perhaps, not just industry?

[Answer] Within the framework of the 30 percent of investments earmarked for housing construction under the current method of investment, the technological methods and the organization of the construction process thus far used, it will not be possible to realize the housing program. The rate of cost increase in construction, as can be seen from the example of the current year, of such a trend continues, will be more rapid than the rate of growth of investments overall. And from this 30 percent, it would be possible to build not more and more, but less and less dwellings, because this 30 percent cannot keep up with the increase in costs of a square meter of living area.

Again, technicians, scientists, economists, and organizers in construction are faced with an enormous task. What can be done to build more for this purpose? Without the generation of new technology in construction, the matter will not be resolved. Traditional methods are insufficient.

Construction must be different in different types of settlements. Large-panel construction will exist at large-scale developments, most certainly, although it is very costly. However, it makes it possible at the current time to make better use of expensive land and very expensive site preparation. Another type of construction should prevail in small towns and villages. The technology of finish work must also be corrected in the framework of one or the other type of construction.

It is also necessary to make a serious decision on whether in the place of traditional European construction, which means bricks, concrete, or other elements with a life of 100 years, we should not convert to the type of construction coming to the fore in America and also in Finland, calculated for 20-30 years.

In any case, without large-scale technical progress, without the introduction of new generations of construction technologies, we shall not solve the problem of housing construction.

[Question] You mean, above all, an intensive type of development in the coming years?

[Answer] Technical and organizational progress is not an alternative for the aforementioned subvariant on the extension of the workweek to 6 days. This is not an "either...or" situation, but rather, "both this and that."

A more rapid method, which provides effects almost immediately is the introduction of a 6-day workweek. However, technical progress, especially on such a large scale, the introduction of new technology, requires time. This progress

can be brought to fruition if we start on it right now, today, around the end of the 3-year plan, and during the following 5-year plan. Both of these methods can also be improved in time. Certain problems necessary for solution, for example, the introduction of new grain species, cannot be solved with the help of time. A scientific staff has to be obtained for this. This does not mean that one should underestimate small-scale technical progress and rudimentary increases in labor productivity.

I stress the matter of technical progress so strongly since we are threatened with the occurrence or the widening of technological gaps with relation to other countries. Currently, we do not have the funds and capabilities for the mass importing of equipment and the purchase of licenses. We have to fill this gap with our own resources.

Recapitulating, our economy has found itself in such a deep hole, that in order to extricate itself from it, two motive forces are required: an extensive one in the form of extended work hours, and an intensive one, in the form of technical and organizational progress.

[Question] Changing the subject somewhat, in recent days, there has been a lot of discussion on the subject of whether we are supposed be a "welfare state." This is an enormous problem connected with motivation, with reform, and also with the essence of a socialist state. How do the creators of the bases of the 3-year plan view it?

[Answer] I wish to state clearly that the dichotomous approach that has come about—either a "welfare" state of an "economic" state is unacceptable in practice. This can be good as a publicity gimmick but not as a decision in state activity. Such a division cannot be realized, even if someone wanted it.

Our state must fulfill a welfare function. This is clearly stated in the plan principles up to 1985 and to 1990. We are holding to the line of protecting material levels on minimum wages and the further increase in pensions and retirement pay. We must be aware of the fact that the realization of only the decisions that have been enacted in this field are causing an increase in budget outlays of 27 percent for social and cultural purposes up to 1985, whereas national income, in the third variant, the most optimistic one, will grow by 18 percent. It is not possible to realize the functions to socialist countries without counting on economic capabilities. This would simply be a totally irresponsible way of doing things, plainly stated.

At this time, there is a certain inclination in social goals, in social demands relative to the state over the real economic possibilities. So, it is necessary to turn out products. However, and I wish to emphasize this clearly, the state has to solve a number of questions individually, that enterprises under economic reform conditions should, and most certainly shall, concentrate on their economic and production tasks, and not social tasks. This is the proper direction—it is not the enterprise, but the state that has to be the organization having diverse functions, including social functions also.

Our state, by its nature, must also be the organizer of certain programs directed toward specific social groups. I am speaking here about the youth. We are in the kind of historical juncture where the youth is requiring concern by the state in a multitude of directions.

Currently, the youth has different conditions than, for example, my generation had. In spite of everything, it has better material conditions, but the opportunities for development, and the opportunities to advance oneself were much greater in the forties. There was a greater choice--intermediate and higher education were created, the administration, industry, and trade had been rebuilt, and this created an enormous number of opportunities and a great demand for personnel.

Today, the state's mission is the creation of professional opportunities for youth, the creation of material aid, and also the formation of a certain climate of feeling that the youth is truly and singularly needed for this economy and this country.

[Question] I consider that the differences between the situation during our youth and what it is today depend also on the fact that today, youth is supposed to create its own opportunities--for the state will only provide the conditions for their use. However, they have to work out their own futures alone.

[Answer] It is my conviction that here, no false blandishments have to be made, but it is also not possible to say either, that the situation is as it is so handle things for yourself.

What I had said, for example, about technological progress--is that not a broad field to demonstrate to the youth? Who can be counted on other than the entire generation of young people, who are educated and open to change? The opportunities of the country, the opportunity for getting out of the crisis is imbedded in the scientific and technical revolution. At the same time, this is an opportunity for the youth. However, in order for it to be realized, it is necessary to create the conditions for this. We still have a lot of work waiting for us in this respect.

[Question] Is it possible to speak about economic reform in the same way as about scientific and technical progress. This is also to be demonstrated to the youth.

[Answer] Of course, reform is a great innovation current in management.

However, since we have arrived at this problem and the great hopes of our economy, then perhaps I can give a few additional comments.

Reform is the basic instrument for the realization of social and economic goals. Such an approach can antagonize people who treat reform both in a doctrinal way and, usually, in an emotional way at the same time. However, it is necessary to establish both the goals and the instruments with which we wish to achieve them, for there to be a concurrence between them.

It is possible to meet up with the objection that the new plan bases for the 3-year plan and up to 1990 are not "geared up," and lack the instruments for their fulfillment. I agree that a plan has to have both goals and the technology for fulfilling these goals. This is so especially now when we are supposed to assure the fulfillment of the plan, not with orders, but with economic methods. Well, it is my opinion that the tool box is not empty. We have such tool boxes, and not just one. Namely, this is a complete finance, incentive, payment, and supply system--structured during the course of work on the reform. The harnessing of this instrumentation with the plan goals is to assure its fulfillment.

The appropriate sections in the plan bases concern these questions. The same also as to what we are expecting from science, from technical people. The creation of technical progress and putting it into being also necessitates the appropriate economic and organizational "instrumentation."

[Question] There are quite a few instruments, but do all of them suit our situation, and are we going to be able to make use of these instruments, which are pretty new in our situation?

[Answer] We are currently discussing this subject with the representatives of economic sciences, and with all those who are working directly on economic reform. I consider that the discussion over the bases of the plan will also make it possible to specify even the development time and the methods by which we wish to achieve this. For example, how much of the funds earmarked for food production should be received by agriculture and how much by food processing, what kinds of organizational methods are to be used in construction, etc.?

It is also necessary to adjust certain solutions of the financing and other systems. It appears, for example, that with the current solutions, many enterprises can achieve optimal economic results for themselves without a complete utilization of all the possibilities of technical-organizational progress. Such solutions have to be simply changed, improved.

[Question] At the end, one more question. Economic progress is supposed to be, indubitably, an enormous influence on the sociopolitical system. But even that situation even has an effect to a strong degree on the possibilities for progress in the economy. As far as extending the workweek to 6 days is concerned, this necessitates an understanding with the public.

[Answer] Of course. As a planning staff, we publicize certain proposals and try to show what their realization can bring, as well as what the costs will be. The election itself depends not upon us, but upon the public. We would very much want the discussion over the possibilities and the ways of coming out of the economic crisis to be a plane of consolidation, a coming together of the cooperation of various groups, party and nonparty, youth centers, technical groups, and even those who are full of political doubts and conditions, but are ready to work on fixing the material conditions of the life of the nation.

There is still one more important aspect. This involves conscious discipline. A positive psychological attitude in relation to the task of extricating the country from the crisis can have a great influence on this discipline. And without this, the goals presented in the plan bases will be unattainable. Psychological-social conditioning of all of our designs is enormous, and we are fully aware of this.

[Question] But in this area, too, certain concrete actions are needed. At least the acceleration in convoking worker self-governments, and in the assurance of greater participation in decisions on all levels of economic management. We shall never solve this matter only with the help of even the best propaganda.

[Answer] I am convinced about the need for participation of the work forces in the creation of the direction of development of individual enterprises, and in the selection of methods, in general, in management. There should be no doubt about this.

The problem lies not in the fact of whether there is to be self-government, but in what function it is to have in practice, how it will cooperate with management. I mean, in this case, the dilemma that came into existence long ago--how to conform the management function (in the favorable meaning of this word) with public participation in the management of an enterprise. We did not think up this problem, it came about in life, it also emerges outside the socialist system. Many people have already been bruised trying to cope with it. I am not so full of wisdom as to assert that here we will find an ideal final solution. However, we have to search. This, in spite of the fact that we have such a difficult situation and such pressing tasks. The self-government model will be shaped in practical work. However, before the beginning of the plan for 1983-85, it will be necessary to have self-government in the enterprises. This is absolutely necessary.

[Question] Among other things, so that the work forces could enact their own plans themselves.

[Answer] In conformity with the law, the central plan provides certain guidelines, and information on overall goals and conditions for their realization to the enterprises. It contains certain mandatory elements--however, I do not wish to discuss them at this time. An enterprise must absorb the central plan and convert it in such a way as to utilize its technical, human and supply capabilities optimally. At that time, total intensiveness of the work of those who are creating economic strategy and those who are creating the mechanism, and therefore, the reform, shall occur.

[Question] I wish to inquire about an answer to one more question. I consider that the work on the plan bases up to 1985 and the long-range forecast up to 1990 made it possible for the same Planning Commission to become more cognizant of the conditions, capabilities and limitations that face our economy. At this time, are you, the chairman of the Planning Commission, an optimist or a pessimist?

[Answer] I do not like this sort of categorization. It is necessary to be a realist, not an optimist or pessimist.

[Question] In this case, I shall reword the question. Comrade chairman, do you have a predominant feeling of confidence in the success of the plan, or do you also have apprehensions and doubts?

[Answer] I am not free of apprehensions. We were thinking twice about the sense of even starting work on the 3-year plan, when our quarterly plans were being disrupted. That stage is already behind us. However, we were apprehensive of whether under existing conditions we would be able to achieve a correct selection of the main goals, and to properly appraise the chances of their realization. Currently, the opinion predominates that such chances exist. With the different variants of our approach to the future, there is more of a psychological attitude existing among us, along with methodological preparation for making switchover points that provide for the transition from one variant to another should the conditions change. It must be stated frankly that such psychological attitude and readiness are much greater for transition from a worse variant to a better one rather than vice versa. But this is probably natural. I have the hope that it will not be necessary to build those switchover points in this direction, although life does come up with various surprises. Last year, in an interview for ZYCIE GOSPODARCZE, I spoke about the variant of apprehensions and hopes for the current year. Today, in the extractive industry, we are attaining results better than the variant of hope anticipated, but in manufacturing, we continue to be below the pessimistic bases in the variant of apprehensions. This taught us how to switch over "on the run." In spite of the kind of system of production that came about during the first half of 1982, we are somehow managing to harness the economy, although there are certain troubles. But we will overcome them.

I wish, for myself and others, that we would be able to effect such operational and efficacious changes. One should not be afraid of this. Of course, above all, I wish, for myself and others that these transformations would go in a single direction--to the variant of more rapid extrication from the crisis.

[Interviewer] Thank you for the interview.

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[Main Statistical Office's (GUS) report on the country's socioeconomic situation in the first six months of 1982]

[Text] The country's socioeconomic situation in the first half of 1982 was strongly influenced by the decline in material production which began earlier and particularly during 1980 and 1981, the growing coproduction, payments and import difficulties, and the lack of balance on the domestic market.

The decisions made at the turn of 1981-1982 began the process of disciplining and stabilizing the economy. In the first six months of 1982, despite the continuance of the generally bad economic situation, the rate of decline of production slowed somewhat. The level of production in the mining industries was higher than last year. In recent months signs of more activity also appeared in the processing industries, although the level of production, especially in the subsectors that are dependent on imports from the capitalist countries, and in construction, continued to be much lower than last year. The serious difficulties in the economy were traced to the economic sanctions applied by the United States, and, under their influence, some other capitalist countries, which caused large reductions in imports, particularly of indispensable raw materials and other materials needed for production.

In comparison with the first six months of 1981, sold production in socialized industry dropped 7.8 percent, except that in the first quarter this drop amounted to 11 percent, while in the second quarter it was 4.5 percent.

No significant changes were noted in agriculture and in the food economy. Although it is true that the number of farm animals at the end of June was somewhat larger than a year ago, nevertheless a tendency toward a halt in the development of animal production has appeared recently.

In foreign trade turnovers a large decrease in imports from capitalist countries has occurred. Export of commodities has remained at a level approximate to that of last year.

In the first half of this year economic reform has begun to be applied and new producer and retail prices have been put into effect. This brought about a general

improvement in the financial results of enterprises, although in some fields, particularly in the food, coal and chemical industries, and in automotive and railroad transport, high subsidies remain.

Living conditions continued to be very difficult. Although the indispensable increases in retail prices have made it possible to gradually restore money-market balance, they also increased the cost of living. This was partially compensated by a growth in personal incomes.

There were sufficient supplies of basic food articles on the market to cover the amounts allowed under rationing. However, supplies of other goods, especially industrial, were far short of the needs.

In the first six months of 1982 the basic indicators reflecting the country's socio-economic situation were as follows:

Table 1.

<u>Details</u>	<u>First half 1981 = 100</u>
Sold production in socialized industry (fixed sales prices).....	92.2
Basic production in socialized construction-assembly enterprises (comparable prices).....	83.1
Cargo haulage by socialized transport enterprises	80.7
Passenger haulage in socialized transport.....	96.9
Procurement of agricultural products (fixed prices).....	approx. 95
Retail sales of goods (current prices).....	163.8
Export (current prices).....	100.9
socialist countries	112.7
other countries	90.4
Import (current prices).....	79.1
socialist countries	100.2
other countries	57.7
Investment outlays in socialized economy (comparable prices)	approx. 72
Employment in socialized economy (excluding students)	96.4
Sold production per one employee in socialized industry (fixed sales prices).....	97.3
Basic production per one employee in socialized construction-assembly enterprises (comparable prices)	90.8
Remunerations	139.9
Nominal wages:	
including workers' compensation	145.4
excluding workers' compensation	123.3
Cost of living for working families	203.9
Apartments completed and ready-for-occupancy in socialized economy..	67.6

Industry

In the first half of this year sold production in socialized industry (in fixed sales prices) was 7.8 percent lower than in the first half of last year. Production in the processing industry was 8.9 percent lower, however production in the mining industry grew by 9.5 percent. Small-scale industry also grew 1.1 percent. In approximately 470 enterprises of the state processing industry (i.e., in 13 percent of the total number of enterprises) there was a temporary, and in some cases a permanent reduction in production, primarily as a result of difficulties in obtaining raw and other materials, mainly from import.

Supplies of these were much lower than the demand. Imports of raw and other materials from capitalist countries continued to be limited both for reasons of lack of means of payments as well as the application of economic sanctions.

The growth in hard coal mining made it possible to cover the requirements of domestic purchasers and to accumulate greater reserves than during the same period in prior years. Electrical energy production was at last year's level while demand for power was lower. Consumption of electrical energy by industrial purchasers was 3.4 percent lower than last year.

The production of some of the more important products in socialized industry in fixed prices is shown in Table 2.

The number of products marked by quality symbols "Q" and "I" decreased from 29,700 products in the first half of 1981 to 22,600.

Average employment in socialized industry totaled 4,483,900 people and was 5.2 percent less in comparison with the first six months of 1981.

Labor productivity measured by production sold per one employee declined 2.7 percent in comparison with the first half of 1981, except that in the first quarter, productivity dropped 6.4 percent, and increased 1.3 percent in the second quarter.

Time worked per one worker in the industrial and development group increased 1.4 percent. This increase resulted from an increase in the number of overtime hours worked per one worker from 37 to 54 hours, while the number of normal-time hours worked dropped from 859 to 854 hours.

Unworked time rose from 115 to 121 hours, i.e., 5.9 percent, which included sick absences which rose from 81 to 89 hours, i.e., 90.4 percent, excused absences from 13 to 17 hours, and paid downtimes from 3 to 4 hours. However, unexcused absences dropped from 3.4 to 1.6 hours.

Agriculture and Forestry

The difficult situation in agriculture, caused mainly by a shortage of feed and inadequate supplies of production means for agriculture, continued.

Weather conditions during the winter and as spring approached were not favorable for

Table 2.

Products	Unit of Measure	First Half 1982	
		In Absolute Numbers	First Half 1981 = 100
Hard coal	mil tons	94.8	116.6
including mined on Saturdays.....	mil tons	15.0	299.6
Brown coal	mil tons	18.6	101.9
Coke from hard coal	mil tons	8.7	94.9
Natural gas	mil m ³	2,978	90.5
Crude oil refining	mil tons	6.2	91.5
Electrical energy	bil kWh	58.9	100.0
Rolled products	mil tons	5.0	81.6
Steel tubing	thous km	113.7	88.4
Electrolytic copper	thous tons	169.8	103.9
Metallurgical aluminum	thous tons	22.7	60.5
Lead	thous tons	38.3	115.0
Zinc	thous tons	79.5	90.3
Farm machinery and tools	bil zlotys ^a	10.2	124.8
Vehicles: passenger	thous	104.0	71.1
trucks	thous	18.6	78.9
Farm tractors	thous	27.7	104.8
Sea vessels (up to 100 DWT)	thous DWT	137.4	95.5
Batteries	thous	1,264	104.0
Electropower cable	thous km	7.8	56.9
Radios (excluding kits)	thous	852.6	76.6
Television sets	thous	287.4	67.3
Household washers and electric spindriers ..	thous	295.6	75.2
including automatic	thous	96.8	53.7
Household refrigerators	thous	243.7	79.2
Sulfur, in terms of 100 percent	thous tons	2,316	95.7
Fertilizers, in terms of pure component	thous tons	1,029	94.6
Plastics	thous tons	239.7	94.7
Synthetic rubber	thous tons	42.8	80.1
Chemical fibers	thous tons	93.0	82.1
including synthetic	thous tons	61.6	80.6
Pharmaceutical products	bil zlotys ^a	8,522	104.2
Laundering and washing agents	thous tons	167.9	118.7
Tires, all	thous	2,809	77.4
Cement	mil tons	7.9	98.4
Coniferous timber	thous m ³	2,700	91.5
Particle board and chipboard	thous m ³	471.1	102.9
Paper	thous tons	469.7	96.9
Fabrics: cotton and cottonlike	mil m	349.2	84.0
wool and woollike	mil m	45.8	82.0
Knit products.....	mil	154.0	84.1
Meat and fats (commercial slaughter)	thous tons	991.1	93.2
including poultry	thous tons	72.8	40.7
Saltwater fish (fishery)	thous tons	300.0	81.4
Butter.....	thous tons	94.4	103.9
Cigarettes	bil	43.1	104.5
Commercial feed mixtures	thous tons	2,685	62.1

crop cultivation this year, thus crop losses were higher than last year. This spring 127,000 hectares were plowed for winter crops (i.e., about 3 percent of the total cultivated area), and approximately 101,000 hectares for winter rape (i.e., about 30 percent of the cultivated area).

Preliminary figures from the June farm census of this year (as compared with the same period last year) showed some increase in the number of farm animals. However, there were signs of an unfavorable tendency in animal production. The increase in the free-market prices of grain and potatoes reduced the profitability of animal raising. Beginning in April, free-market prices of farm animals began to decline. And as early as February, an increase in sales of gilts to procurement points was noted.

Changes in the number of farm animals as of 30 June 1982 are shown in Table 3.

Table 3.

<u>Details</u>	<u>All of agriculture</u>	<u>Socialized farming</u>	<u>Unsocialized farming</u>
	30 June 1981 = 100		
Cattle	100.9	91.9	103.9
including cows	101.4	94.8	102.4
Hogs	105.3	98.6	107.7
piglets under three months	107.6	108.2	107.4
piglets from three to six months	115.6	100.9	121.5
breeding gilts	89.8	95.7	88.4
in farrow	74.4	80.6	73.1
porkers, baconers, and others	95.8	89.9	99.7

The total value of procurement of farm products (calculated in fixed prices) in comparison with the first six months of last year, was approximately 5 percent lower, except that in socialized farming it was about 20 percent lower, and in the unsocialized farming it was about 3 percent higher.

Private farmers obtained approximately 240 billion zlotys (current prices), i.e., over 70 percent more than for the same period last year, from sales of agricultural products to the state. This was due mainly to the considerable increases in procurement prices of farm products in 1981 and in February of this year.

The procurement of basic animal products in the first half of this year was as shown in Table 4.

The difficulties in supplying agriculture with means of production, especially concentrated feed and pesticides, continued. There were also acute shortages of many types of spare parts for tractors and farm machines, as well as batteries and tires.

Table 4.

<u>Details</u>	Unit of <u>Measure</u>	<u>First Half 1982</u>	
		<u>In Absolute Numbers</u>	<u>First Half 1981 = 100</u>
Total animal slaughter calculated in			
meat-fat mass ^a	thous tons	1,004.0	92.2
including:			
beef	thous tons	285.3	107.3
pork	thous tons	616.9	101.2
poultry	thous tons	72.2	40.4
Milk	mil liters	4,189.2	100.8
Eggs	millions	1,951.8	92.3

^aIn after-slaughter warm weight.

Deliveries of tractors for farming amounted to 30,000, a 4 percent drop in comparison with the first half of last year; however, in comparison with the second half of 1981, they increased approximately 15 percent. The total number of tractors in all of agriculture, according to an estimate at the end of June 1982, totaled 674,000 and was approximately 5 percent higher than at the end of June 1981, and about 3 percent higher than at the end of last December.

Agriculture used approximately 3,413,000 tons of artificial fertilizers (in pure ingredient), for 1982 crops, i.e., about 2.5 percent less than for last year's crops. Calculated per 1 hectare of farmland, fertilizer consumption amounted to 182 kilograms and was 4.2 kilograms less than in the previous farming year.

Deliveries to agriculture of qualified four-grain seed to refresh the sowing material for the 1982 crops amounted to approximately 445,000 tons, about 22 percent less than last year's deliveries. Supplies of potatoes for 1982 crops amounted to 606,000 tons, approximately 63 percent more than last year.

Sales of concentrated feed to agriculture as a whole totaled approximately 2,000 tons and were approximately 45 percent lower than in the first half of last year and about 33 percent lower than in the second half of 1981.

Approximately 130,000 hectares of land were sold to farmers from the State Lands Fund, i.e., over two-and-a-half times more than in the same period last year.

There was an increase in credits for agriculture. Investment, turnover credits for instalment purchases of goods and services, and cash credits paid out to the village population amounted to 30.7 billion zlotys and were 11.5 percent higher than in the first half of 1981 and 22.7 percent higher than in the second half of last year. Investment credits totaled 8.8 billion zlotys and grew 50.6 percent in relation to the first half of 1981, and 31.5 percent in comparison with the second half of 1981.

In state forest enterprises 12.3 million cubic meters of timber were logged (6.5 percent more than in the same period of 1981), of which 9.4 million cubic meters, i.e., 1.0 percent more than in the same period last year, were removed from the forests. Thus the ratio of removed to logged timber mass is worsening.

The threat to tree stands from insect pests continues to be high. The spread of the gypsy moth, which has intensified since 1977, made it necessary in 1982 to take measures to control this pest over an area of 2.3 million hectares (which is 27 percent of the forest area in Poland).

Large-scale withering of trees is observed in the stands that have been weakened by defoliation by the gypsy moth. According to an assessment made in June 1982, the mass of dead and dying trees amounts to approximately 3.8 million cubic meters, and the timber mass from broken or uprooted trees is about 3.4 million cubic meters. In the first six months of this year, approximately 6.6 million cubic meters of deadwood and timber from snowslides and windstorms have been removed from the forests.

Renewal and reforestation in state forests has dropped by 11.9 percent.

Transportation

Socialized transportation enterprises hauled about 511.8 million tons of cargo in the first half of 1982, i.e., 19.3 percent less than in the first half of 1981, mainly as a result of a decline in demand for transportation services. Cargo haulage by airplane, automotive and inland navigation transportation was much lower. The Polish State Railroads hauled over 197.5 million tons of freight, i.e., 3.2 percent less than in the first six months of last year.

In the first half of this year, 20.4 percent more coal was hauled out of the Katowice Voivodship mines by railroad transport than during the same period last year, and 17.7 percent more than in the second half of last year.

The poor technical condition of the freight cars made the work of the railroads difficult. The average daily number of cars out of service was 56,300, i.e., 14.5 percent more than in the first six months of 1981.

During the first half of this year, approximately 275.5 million tons of freight was hauled by public and industrial-subsector automotive transportation, which was 29 percent less than in the first half of 1981.

Of the total number of trucks and tractor trailers, on a daily average 46.2 percent were not in operation due to technical and operational reasons (in the first half of 1981 the figure was 42.3 percent).

Over 16 million tons of cargo, i.e., 6.4 percent less than in the first half of 1981, were hauled by inland navigation. The total tonnage of the maritime transportation fleet sailing under the Polish flag totaled 4,512.4 thousand tons on 30 June 1982, which was 1.4 percent less than at the end of 1981.

In the commercial seaports, 17.6 million tons of cargo was transloaded in the first half of this year, i.e., 15.1 percent less than in the first six months of last year. Only transloadings of coal and coke increased, by 26.4 percent, and other bulk cargoes, by 3.6 percent.

Passenger haulage by socialized public utility transportation amounted to 1,690 million people, 3.1 percent less than in the first half of 1981; the Polish State Railroads hauled 4.8 percent, and the Polish Motor Transport, 2.3 percent fewer passengers.

Investment and Construction

According to preliminary data, investment outlays in the socialized economy in the first six months of this year amounted to 314.3 billion zlotys, i.e., approximately 28 percent (using comparable prices) less than in the first half of last year. Outlays for construction-assembly jobs declined by 20 percent, outlays for purchases of imported machinery and equipment by 58 percent, and for purchases from domestic production by 33 percent. The plan for transmitting investments for utilization has not been fully implemented. The following investment tasks were implemented:

- a 200 MW power unit in the Polaniec Power Plant,
- construction of a 650-meter mining level in the "Szczoglowice" Hard Coal Mine,
- expansion of a coal-beneficiation plant in the "Marcel" Hard Coal Mine in Wodzislaw (555,000 tons),
- a main gas pipeline on the Grodzisk-Krobia section (65.6 kilometers),
- a chlorine and soda lye factory in the Wloclawek Nitrogen Plants (180,000 tons/year of chlorine and 197,000 tons/year of lye),
- a line for producing polyvinyl chloride sheeting in the "Erg" Plastics Plants in Olawa (2,900 tons/year),
- construction of a line producing wide sheeting for agriculture in the "Erg" Plastics Plants in Tychy (12,000 tons/year),
- new production capacity in the Olsztyn "Stomil" Vehicle Tire Plants (9,000 tons/year of rear tractor tires),
- new production capacity in the Poznan "Stomil" Vehicle Tire Plants (2,500 tons/year of giant tires),
- a footwear factory in Bydgoszcz (2.8 million pairs per year),
- new production capacity in the Commercial Fabrics Plants in Zyrardow (594.2 tons/year of cotton).

However, the following investments tasks planned for the first six months of this year were not implemented:

- a 360 MW power unit in the Belchatow Power Plant,
- two turbine sets with a total generating capacity of 340 MW and a 250 MVA transformer station in the Hydroelectric Power Plant in Zarnowiec,
- a gas switchboard in Dabrowa Gornicza (58 million cubic meters/hour),
- a coal processing plant in the "Staszic" Hard Coal Mine (520 tons/hour),
- a pulp mill (170,000 tons/year) and power and sewer management facilities in the Cellulose-Paper Works in Kwidzyn,
- a large-plate elements factory in Torun (84,000 square meters/year).

In the first half of 1982 the following public facilities were completed:

- six hospitals with a total bed capacity of 843,
- 12 clinics with 241 consulting rooms,
- seven health centers with 33 consulting rooms,
- 31 preschools with 3,785 spaces,
- 14 day nurseries with 1,050 spaces.

Completed and released for occupancy were 64,500 apartments with a usable floor area of 4.1 million square meters, i.e., 14 percent less than in the first half of last year. Of this, 48,100 apartments with a surface area of 2.5 million square meters, i.e., 32.4 percent less, were in socialized construction. Implementation of housing construction during the first six months of 1982 is shown in Table 5.

Table 5.

<u>Details</u>	<u>Apartments</u>		<u>Usable Floor Area</u>	
	<u>In</u> <u>Thous</u>	<u>First Half</u> <u>1981 = 100</u>	<u>Thous m²</u>	<u>First Half</u> <u>1981 = 100</u>
Total	64.5	78.6	4,146.8	86.0
from funds:				
State	10.0	60.1	527.4	58.8
Cooperatives	38.1	69.9	2,013.1	70.4
People's own	16.4	149.8	1,606.3	150.6

In the first half of this year in the socialized housing construction the implementation of 533 housing buildings was begun, in which the total number of apartments is 20,800. At the end of June of the current year, 178,000 apartments were under construction.

The basic production of the construction-assembly enterprises amounted to 288.2 billion zlotys, 16.9 percent below that of the first half of 1981. The largest drop in production occurred in the general construction enterprises (about 25 percent) and the smallest in the specialized construction enterprises (over 9 percent).

Average employment in socialized construction-assembly enterprises declined by 83,200 (5.5 percent) and amounted to 890,200.

Labor productivity measured by value of basic production per one employee decreased by 9.2 percent.

Foreign Trade

Foreign trade turnovers in the first six months of 1982 were implemented under difficult payment circumstances.

The capitalist countries reduced credits, partially suspended the implementation of agreements on deliveries of food on convenient terms, applied restrictions in fishing and navigation, and reduced exports of some commodities to Poland. This resulted in a drastic reduction of imports of raw materials, other materials, and food articles from western countries and in a drop in the physical size of export.

The value of exports (in current prices) amounted to 425 billion zlotys and was higher by 0.9 percent in comparison with the first half of 1981 (a drop of 0.8 percent occurred in the first quarter, and a growth of 2.4 percent in the second quarter). The value of imports amounted to 370 billion zlotys and fell 20.9 percent (imports dropped 25.2 percent in the first quarter and 17.1 percent in the second quarter of this year. Because of the larger exports than imports, a favorable balance of goods turnovers amounting to 55 billion zlotys was obtained, as against an unfavorable balance of 47 billion zlotys in the first half of 1981.

Commodity turnovers with socialist countries were lower in export than in import. The value of export amounted to 224.2 billion zlotys, which indicates a growth of 12.7 percent in comparison with the first six months of 1981. The level of export, therefore, returned to the 1980 level. The value of import reached 236.1 billion zlotys, i.e., it rose 0.2 percent.

The share of the socialist countries in the value of export rose from 47.3 to 52.8 percent. In import, the socialist countries' share increased from 50.3 to 63.7 percent.

However, a steep drop occurred in turnovers with capitalist countries, and exports was much higher than imports. Export amounted to 201 billion zlotys, which is a 9.6 percent drop in comparison with the first half of 1981; imports amounted to 134 billion zlotys (a drop of 42.3 percent). Already in the first half of 1981, in comparison with the first half of 1980, turnovers with capitalist countries declined 22 percent, both in exports and in imports. This means that in the first half of 1981 there was a decline in exports to those countries, while at the same time there was a larger drop in imports in comparison with 1980.

The results obtained in foreign trade turnovers and the costs of servicing credits effected a change in the state of the country's indebtedness on 30 June 1982, as compared with the state on 31 December 1981:

--in the currencies of the socialist countries, the indebtedness grew to 3.1 billion rubles;

--in the currencies of the capitalist countries, it grew to 24.5 billion US dollars. The indebtedness, in terms of a US dollar, declined in relation to the indebtedness at the end of 1981 (25.5 billion US dollars) as a result of the very strong growth in the exchange rate of this currency (approximately 6 percent), under circumstances when part of our indebtedness pertains to other currencies.

Export of commodities (in fixed prices) in the first six months of this year, declined 2.4 percent, and import 26 percent, in comparison with the first six months of last year. Export to socialist countries grew by 4.6 percent, whereas it dropped 8.3 percent to capitalist countries. Import from socialist countries declined 9.6 percent, and from capitalist countries, 38.7 percent.

Exports of hard coal totaled 11.8 million tons, which means a 39 percent increase in comparison with the first half of 1981, and a decrease of 8.1 million tons, i.e., 41 percent, in comparison with the first six months of 1980. Difficulties occurred in selling coal on some western markets, caused by the competition that entered into those markets at the time that Poland could not fully meet the deliveries that had been agreed upon.

Exports of coke, copper, cement, cotton fabrics, pharmaceutical products, and sugar also rose. However, there was a drop in the export of sulfur, metallurgical products, wool fabrics, linen fabrics, clothing and knit products, leather footwear, furniture, paper and cardboard, meat and meat products.

Imports of grain and milled products amounted to 2,364 thousand tons, and were lower by 2,200 tons, i.e., 48 percent, in comparison with imports in the first half of last year.

Imports of the following commodities continue to decline: Iron ore, crude oil, petroleum products, metallurgical products, pig iron, aluminum oxide, potassium fertilizers, cotton, concentrated feeds, cocoa and coffee beans, butter, lard, and tropical fruits. However, imports of phosphorus raw materials, aluminum, natural and synthetic rubber, pharmaceutical products, paper and cardboard, viscose cellulose, edible plant oils, rice and meat, have increased.

Population and Employment

At the end of June 1982 Poland's population was 36.2 million and it had increased 0.5 percent (i.e., by 166,000) in comparison with figures at the end of 1981. Of this, 21.4 million people live in towns and 14.8 million in the countryside. The percentage of urban population is 59.2 percent.

Average employment in the socialized economy in the first half of 1982 totaled 11,593 thousand people, which was more than 430,000, i.e., 3.6 percent, below that of 1981. The reduction in employment was insufficient in relation to the drop in production and services and was related mainly to earlier retirements and upbrining furloughs.

The decline in employment occurred mainly in industry, construction, transportation and trade; there was an increase in employment in basic and general education as well as in health protection and social welfare.

At the end of the first half of the current year, the number of job vacancies totaled 280,000. The number of people seeking jobs through employment departments amounted to 20,000. The local difficulties that occurred in finding work were related to the failure to adapt the supply of labor, spacially and structurally, to the demand for a working force. The persons who could not get jobs and who were in a difficult material situation were paid allowances. In the first six months of 1982, 4,788 allowances were paid out of the Vocational Activization Fund, for a total of 18.7 million zlotys.

Wages, Social Security, and Cost of Living

Remunerations in the socialized economy in the first half of the current year, including personnel salaries, workers' compensations, awards out of the plant awards fund, and payments out of the non-personnel, honoraria and agents-commission fund, amounted to approximately 784 billion zlotys and were 224 billion zlotys higher, i.e., by 39.9 percent, in comparison with the first six months of 1981. In relation to the second half of 1981, the total sum of remunerations was 29.5 percent higher, or 179 billion zlotys.

Personnel salaries and workers' compensations combined constituted 89.5 percent of the total sum of remunerations and had risen by 199.6 billion zlotys (39.7 percent) in comparison with the first half of last year, and by 116.8 billion zlotys (20 percent) in relation to the second half of last year.

Payments from the plant awards fund in the first half of this year totaled 63 billion zlotys and were 46.4 percent, or by 20 billion zlotys, higher than in the first six months of 1981, due to the increased number of persons entitled to receive awards.

The average monthly nominal wage per one employee in the socialized economy amounted to 9,930 zlotys in the first six months of 1982. This included workers' compensation due to increases in retail prices. The wage was 8,420 without the compensation. In the total increase in average wage in relation to the first half of 1981, the average compensation accounted for 1,510 zlotys, and the growth of wages resulting from wage increases, changes in principles of remuneration, and promotions, amounted to 1,591 zlotys.

In the basic divisions of the national economy the average monthly wages including payment for work on free [nonwork] Saturdays, were as shown in Table 6 on the following page.

Table 6.

(2)		Przeciętna płaca miesięczna w I półroczu 1982						(4)	
(1)	(3)	z rekompensatami pracowników i innymi			bez rekompensat pracowników i innych				
		(5)	(6)	(7)	(5)	(6)	(7)		
Wyszczególnienie		w zł	przyrost w stosunku do I półrocza 1981 w zł	I półrocze 1981 = 100	w zł	przyrost w stosunku do I półrocza 1981 w zł	I półrocze 1981 = 100		
Ogółem	(8)	9930	(6)	3101	143.4	8429	(6)	1591	123.3
w tym:									
Przemysł	(9)	10960		3691	150.8	9465		2196	130.2
wydobywczy	(10)	21277		8970	172.9	19697		7390	160.0
przetwórczy	(11)	9611		2921	143.7	8127		1437	121.5
Budownictwo	(12)	10347		2692	135.2	8827		1172	115.3
Transport	(13)	9761		2392	132.5	8228		851	11.5
Łączność	(14)	8132		2222	137.6	6618		708	112.0
Handel	(15)	8324		2372	139.9	6783		751	112.6

Key:

- | | |
|---|---------------------|
| 1. Details | 8. Total, including |
| 2. Average monthly wage in first half of 1982 | 9. Industry |
| 3. Including workers' compensation | 10. Mining |
| 4. Excluding workers' compensation | 11. Processing |
| 5. In zlotys | 12. Construction |
| 6. Increase in relation to first half of 1981 in zlotys | 13. Transportation |
| 7. First half 1981 = 100 | 14. Communication |
| | 15. Trade |

The average current annuity and pension (not including annuities and pensions for private farmers) amounted to 3,957 zlotys in the first half of 1982, without compensations, and 5,508 with compensations, and constituted 55.5 percent of the average monthly wages and compensations.

In relation to the first six months of 1981, the average annuity and pension rose by 2,210 zlotys. This increase is comprised of the average compensation due to increases in retail prices, amounting to 1,551 zlotys, an increase in annuities and pensions, and an increase in the share of newly granted pensions and annuities, which are higher because of the higher wage level on which they are based.

The average number of annuities and pensions rose 7.5 percent, or by 314,000, in comparison with the first half of 1981.

For private farmers, the average annuity and pension amounted to 2,704 zlotys without compensation, and 4,346 zlotys with compensation.

The payment of allowances from social insurance (not including sick allowances paid out of the funds of the workplaces, and allowances for private farmers), amounted to 30.5 billion zlotys in the first half of 1982, including 10.9 billion zlotys in family allowances. Compensations paid out in family allowances totaled 56.1 billion zlotys.

In the first six months of this year, as a result of the increases in retail prices of basic goods and services, there was a large rise in the cost of living.

In comparison with the first half of 1981, the cost of living for families of workers employed in the socialized economy rose an average of approximately 104 percent, and in comparison with the second half of 1981, about 73 percent. According to estimated data, the cost of living indicator in the first half of this year was as follows:

Table 7.

<u>Details</u>	<u>Cost of Living Indicator - Household</u>		
	<u>Workers employed</u>	<u>Peasants</u>	<u>Annuitants</u>
	<u>in the</u> <u>socialized economy</u>		<u>and</u> <u>pensioners</u>
	First half 1981 = 100		
Total	203.9	206.9	215.0
Food ^a	249.8	260.8	252.2
Alcoholic beverages	204.0	205.5	204.0
Nonfood articles	179.0	183.1	185.6
Services	158.3	167.5	159.2

^aExcluding food derived from own household.

The large price increases that went into effect this year, rationing, and also shortages in goods, caused changes in the structure of consumption. In comparison with last year, the share of expenditures for food increased (by 10 to 12 percent), while the share of expenditures for the purchase of alcohol, nonfood articles and services, decreased.

The income growth indicator for workers employed in the socialized economy, (covering remunerations for work, allowances and compensation), was 150.5 percent in the first half of the current year, and the cost of living indicator was 203.9 percent. By dividing these two indicators, it appears that the real income indicator was approximately 74 percent, i.e., real incomes dropped about 26 percent as compared with the first six months of last year.

Money-Market Situation

The populace's monetary receipts amounted to 1,513.2 billion zlotys, 57 percent higher than in the first half of 1981. The large increase in monetary receipts was due to the increase in remunerations for work--23 percent, the increase in social security payments--39 percent, and payments for compensations due, which amounted to a sum of 226.6 billion zlotys. The increase in the populace's monetary receipts from the sale of farm and other products in the periods compared amounted to 77 percent.

It is estimated that personal expenditures for the purchase of goods in units of the socialized economy in the first half of 1982 totaled 1,096.5 billion zlotys and were higher by 438 billion zlotys, i.e., by 66 percent, than expenditures during the same period last year.

The value of services to the people by units of the socialized economy totaled 137.1 billion zlotys, which indicates an increase of 40 percent in comparison with the first half of this year. The growth of expenditures for services was much lower than the growth of expenditures for goods. After approximatively eliminating the price increases, the value of services to the people (in comparable prices) dropped about 12 percent.

The populace's monetary reserves on 30 June of this year reached a level of 1,248 billion zlotys, of which deposits in savings and cooperative banks totaled 774 billion zlotys, and cash reserves amounted to 474 billion zlotys. Savings deposits grew by 179 billion zlotys, i.e., 31 percent, compared to figures at the end of June 1981. During this same period, cash reserves grew by 177 billion zlotys, i.e., 59 percent.

The value of goods, both domestically produced and imported, supplied to the market, amounted to 1,290.9 billion zlotys in the first six months of this year, and in current retail prices was 81 percent higher than the value of supplies in the first half of last year. Supplies of market goods, after approximatively eliminating the effect of price changes, in comparable periods were approximatively 13 percent lower.

The value of retail sales of goods reached a level of 1,143.7 billion zlotys, and was, calculating in current prices, 64 percent higher than sales in the first six months of last year. Food sales amounted to 428.2 billion zlotys; alcoholic beverages were sold for a sum of 127.3 billion zlotys; nonfood items for 588.2 billion zlotys. Retail sales, after an approximated elimination of the effect of price increases, were 21 percent lower than in the first half of last year. Food sales dropped approximatively 15 percent, alcoholic beverages about 32 percent, and nonfood items, about 32 percent.

At the end of June, this year, goods valued at approximatively 275 billion zlotys were in the wholesale and retail trade pipeline. The physical size of goods in stock was half that of stocks at the end of June of last year. A very gradual rebuilding of stocks began in January 1982. There were sufficient supplies of food, under rationing, to cover the ration-card allotments.

There were insufficient supplies of food items not covered by rationing. In particular, there was a shortage of fish and canned fish, potato flour, cheeses (cottage, high-fat and "yellow"), margarine, coffee and tea

Among nonfood items, there continued to be acute shortages of clothing and footwear, and other articles of daily and constant use, and also articles for agricultural production (farm machines and tools, feed, fertilizers, etc.).

The availability of market producer goods is shown in Table 8 on the following page.

Table 8.

Products	Unit of Measure	First Half 1982	
		In Absolute Numbers	First Half 1981 = 100
Meat, poultry, giblets, variety meats and meat and poultry products ^a	thous tons	742.2	80.8
meat, variety meats and meat products ^a ...	thous tons	666.2	90.3
poultry, giblets, and poultry products ^a ..	thous tons	76.0	42.1
Fish and fish products ^a	thous tons	103.0	76.5
Fats:			
animal ^a	thous tons	61.3	75.8
oil ^a	thous tons	30.8	105.4
margarine ^a	thous tons	83.3	81.1
butter ^a	thous tons	110.1	90.5
Consumption milk ^a	mil liters	1,538.1	102.3
Ripening cheeses ^a	thous tons	31.3	101.7
Cottage cheeses ^a	thous tons	96.0	86.4
Cream, sweet and sour ^a	thous tons	114.2	79.7
Macaroni, spaghetti, noodles and the like ..	thous tons	46.9	89.2
Rice	thous tons	65.2	146.8
Eggs ^a	million	1,225.3	77.4
Sugar	thous tons	497.3	127.8
Tea	thous tons	14.5	106.6
Vodka, pure and flavored ^b	thous liters	59,331	76.2
Wines and mead	thous liters	106,506	73.2
Cigarettes	million	44.7	106.8
Fabrics: cotton and cottonlike	mil meters	42.8	46.2
wool and woollike	mil meters	13.8	65.2
silk and silklike	mil meters	26.2	80.3
Knit garments	million	58.6	101.0
including infants (up to 2 years)	million	14.2	111.5
childrens (2 to 11 years)	million	25.8	117.1
youth (11 to 15 years)	million	5.5	243.9
Knit underwear	million	71.6	82.7
Tights, childrens, thick	million	11.9	110.2
Pantyhose, ladies, sheer	million	30.3	91.4
Ladies hose	million pairs	19.7	128.4
Cloth outer garments	million	7.2	98.6
including childrens	million	1.9	119.5
youth	million	0.7	131.8
Men's and boys' cloth (woven) clothing.....	million	1.7	81.8
Cloth (woven) underwear.....	million	12.6	85.7
Shoes, in general	million pairs	54.1	91.0
including leather and plastic	million pairs	28.2	83.4
of these, children's and youth's	million pairs	14.2	129.0
rubber and textile-rubber	million pairs	8.8	74.6

[Continued on following page]

Table 8 - Continued from preceding page

Products	Unit of Measure	First Half 1982	
		In Absolute Numbers	First Half 1981 = 100
Household refrigerators and freezers	thous	254.7	74.9
Household electric washers and spindriers ..	thous	290.1	74.2
including automatic washers	thous	104.0	58.4
Sewing machines	thous	119.7	103.6
Laundry powders and granules	thous tons	96.2	116.4
Toilet and special soaps, in cakes	thous tons	24.3	109.8
Laundry liquids and pastes	thous tons	21.4	129.0
Receivers: radio	thous	868.6	76.6
television	thous	349.5	73.6
Automobiles	thous	62.8	72.7
Bicycles	thous	577.2	98.0
Hard coal and briquettes from hard coal	thous tons	16,949	123.0
Cement	thous tons	2,788	123.0

^aIncluding supplies for day nurseries, preschools, hospitals, resort accommodations, etc.

^bCalculated at 100 proof.

Social and Cultural Services

Current expenditures from the state budget for social and cultural services (i.e., education and upbringing, culture and arts, health protection, social welfare, physical culture and sports, tourism and rest areas) amounted to 209.3 billion zlotys in the first half of 1982 and were 92.8 billion zlotys, i.e., 79.7 percent, higher than in the same period last year.

In the 1981-1982 school year, 1,213.5 thousand children (148.2 percent of the children in the 3-6 age group) were in preschools, i.e., 0.8 percent fewer than in 1980. The percentage of children six years old, in preschools, was 96.6 last year.

In the 1981-1982 school year, 6,853.3 thousand students were enrolled in schools of all levels, i.e., 1.8 percent fewer than in the preceding year. Approximately 455,000 students completed elementary schools in the 1981-1982 school year, which was 3.1 percent fewer than in the 1980-1981 year.

Approximately 95,000 persons finished general high schools, i.e., 10.1 percent fewer than in the preceding year, and 496,000 finished vocational schools of all types, which was 6 percent below that of last year.

Approximately 50,000 persons graduated from colleges and universities (including those awarding master's degrees) in the first half of 1982.

In the higher schools, stipends were awarded to 116,800 day students, i.e., 11.1 percent fewer than in the 1980-1981 school year. Of the total number of day students, 42.1 percent received stipends.

There were 64,400 employed physicians at the end of June 1982 (a drop of 500 in relation to December 1981), and there were 16,800 physician-dentists. This works out to 17.8 physicians and 4.6 physician-dentists per 10,000 population.

At the end of June of this year there were 203.9 thousand beds in general hospitals, which was an increase of 1,400 over June of last year. There were 56.3 beds per 10,000 people in 1982, compared to 56.4 beds in the first half of last year.

During the period discussed, 11 more health centers were opened and they now total 3,240.

There were 106,300 spaces in permanent day nurseries, i.e., a loss of 30 spaces in the first six months.

In the first six months of 1982, 800 more spaces became available in public assistance homes, which makes for a total now of 61,900 spaces.

In the first half of this year, 4,595 books and pamphlets were published (approximately 12 percent less than in the first six months of last year. At the same time, the total number of copies increased 16.2 percent.

A favorable tendency is observed in relation to school textbooks. The number of copies increased 32.4 percent. The total number of newspapers amounted to 1,218.3 million copies, which was 50 percent of the total number of copies published in 1981.

There were 387.1 million copies of periodicals published, i.e., about 50 percent of the number published in 1981.

The number of television subscribers increased 4.3 percent.

9295

CSO: 2600/821

MINISTER OF TRANSPORT INTERVIEWED

Warsaw POLITYKA in Polish No 24, 31 Jul 82 p 5

[Interview with Janusz Kaminski, Minister of Transport, by Barbara W. Olszewska: "Transfer to Rail": passages enclosed in slantlines printed in boldface]

[Question] Throughout the past half-year little if anything has been said about transport; it has neither been praised nor condemned. Is it because all transport problems have diminished in scale with the exception of the transportation of people to work and schools?

[Answer] We have already become accustomed to the fact that journalists become more interested in our work only when something goes wrong in transport, when we do not keep abreast of social and economic demand. Inasmuch as transport has more or less satisfied the quantitative demand for the conveyance of passengers and freight throughout the entire half-year, interest in the Ministry of Transport has been rather nil.

The fact that during that period transport has, on the whole, satisfied the actual demand for transport is to some degree owed to the markedly smaller scale of that demand. But the situation is not as simple as it might seem. Throughout the half-year public motor transport (PKS [State Motor Transport] and transport cooperatives) and branch transport carried 112 million tons of freight, or 29 percent less than in the first half of 1981. This is a very large decline. But during the same period the railroads carried altogether only 6 million tons of freight [less], that is, 3 percent less than a year ago, while at the same time they carried 14 million tons of coal, that is, 21 percent more. The stocks of fuel in electric power plants are 3.5 times as high as they were last year during a like period. The hauls of coal for export also increased substantially, despite the difficulties in regaining foreign markets. /In May, PKP [The Polish State Railroads] carried not only more coal but more of all other freight, taken together, than last year. At the same time, in May they carried more passengers than ever in the last 4 years/, considering also that 3 million more passengers traveled on one-way tickets than in 1981. This is clearly due to the rationing of fuel for private passenger cars as well as to the restrictions on bus transport.

Thus, first of all, not all of the kinds or categories of transport declined. Secondly, the decline varied greatly in extent depending on the individual subsectors of transport.

[Question] What are the causes of these changes, and do you predict that they are short-term or permanent?

[Answer] The increasingly rapid and broadening process of the shift in conveyance of freight--and of part of passenger traffic as well--from automotive transport to rail transport ensues primarily from the shortage of liquid fuels and to some extent also from shortages of tires, storage batteries, and automotive spare parts. This is promoted by the relatively lower rates charged by the railroads--a factor which the economic reform made more important to our customers, as well as by the abolition of all administrative restrictions on using the railroads for short-distance hauls of certain types of freight, etc.

It is difficult to play the prophet these days but, given the fuel situation, I personally do not see any prospects for the resumption of the rapid growth rate of automotive transport--both passenger-car and truck. As for the next few years, they will certainly witness a relative regression of the bus and truck. It was also owing to the fuel shortage that we have discontinued the further expansion of diesel-locomotive traction and even curtailed the scope of its application, which served to reduce the consumption of diesel fuel by the PKP from 2,500 tons, and to discontinue the imports of additional diesel locomotives. We are expediting the electrification of individual lines and, on the other hand, prolonging, insofar as possible, the operating period of the still-remaining steam locomotives.

[Question] We are thus dealing with a reversal of the trends characteristic of the 1970s when the thesis of the need to relieve the railroads by other means of transport, including automobiles, had been proclaimed?

[Answer] At that time, the railroads indeed could not cope with tasks markedly exceeding their actual traffic capacities, while motor transport and inland waterway navigation had possibilities different from those at present and not fully utilized. At that time, even some quantities of coal used to be carried on trucks from the mines, and over considerable distances at that, without paying too much attention to the economic aspect of the matter. But then that was before the world fuel crisis, or at a time when the crisis still did not stare us directly in the eye. Nowadays we live under diametrically opposite conditions which absolutely require restricting the scope of action of motor transport. Hence /the return of some passengers and freight to the railroads/. From the standpoint of the economy, and especially of the energy industry, this is definitely a favorable trend. Please consider that the railroads consume per 1,000 ton-kilometers only one-eighth as much heat energy as do motor vehicles. In times of crisis this must be the decisive argument.

[Question] What you have said may indicate that the railroads, for one, certainly do not face any lack of work or new tasks. Will they cope with

them? After all, it has long been said that the railroads are incapable, that they are becoming a brake on the development of the economy. What will be the situation after a month, after the next quarterly period, next year?

[Answer] For now we know the situation in July: it is much more difficult than in the preceding months. Since the beginning of the year, approximately until mid-May, the PKP has been, properly speaking, fully meeting the freight transport demand while at the same time still maintaining--gradually diminishing--a reserve carrying capacity. In June, that reserve had disappeared and there arose a shortage of rolling stock, not only boxcars but also coal gondola cars, even for shipping coal from Silesia, although this type of freight enjoys a permanent priority. Under our operating plan for June we could not accept orders for the shipment of 2.6 million tons, and under our plan for July, already as much as nearly 4 million tons. On some days, freight consigners demand 10,000 to 12,000 freightcars more than we can provide for loading. /The carrying capacity of the railroads has again declined below the demand./ The explicit increase in shipping orders is a sign of the growing revival of successive subsectors of industry, of foreign and domestic trade, and partly also of construction. From this standpoint, the fact that there is again something to be transported is of course gratifying. But the railroads have to bear the chief burden of this growth and--in answer to your question--at present they lack the capacities for smooth absorption of the further increase in tasks. Hence, /in the second half of the year, and particularly in the fall, when the routine daily operation of transport are superposed upon by the seasonal extra shipments of harvested crops, a menacing compounding of problems has to be expected./

[Question] What shortages are felt most keenly by the railroads?

[Answer] Efficient rolling stock and manpower. The number of railroad cars withdrawn from operation for purposes of repair--we call them "sick" cars--averages more than 55,000 daily, which is nearly four times as much as 10 years ago. A tremendous transport potential is thus immobilized. The resolution of the problem of rolling-stock repair absolutely requires an appropriate expansion of the repair--equipment, cadre, organizational--capacities of the railroads. But this takes time, even though the acknowledged priority in receiving investment funds for these needs--within the framework of available funds--lies at a level on a par with, say, electrification. On an emergency basis, so that the effects would be tangible even within the next few months and years, industry must help us as regards rolling stock repair. And by industry I mean /primarily the rolling-stock building plants/ as well as many customers of the railroad who have the right possibilities. This matter is being understood slowly and with difficulty. For example, we asked the ZASTAL (Structural Steel) Plant in Zielona Gora and the Railroad Cars Factory in Swidnica to perform 7,500 freightcar repairs this year. Both plants refused. We have appealed this decision and are awaiting the outcome.

The truth is that /unless industry helps us by markedly increasing the production of spare parts and itself taking part in the repair of rolling stock, the railroads will be unable to satisfy all the transport demand in the second half of the year./ All those interested in this problem should

become aware of this truth as soon as possible. We do not expect miracles, but we do expect something decently equivalent in return for the drastic curtailment of deliveries of new rolling stock to us; this year the railroads are to receive barely 1,500 new freightcars (while at the same time they must delete from their inventory about 11,000 wornout freightcars), whereas until fairly recently we used to receive more than 10,000 new freightcars annually. We are not at present pressing for an increase in the deliveries of new rolling stock as this would make no economic sense considering that so many railroad cars are awaiting repair. But we must have something in return. For many years our repair facilities have been relieving industry of the need to build new rolling stock on a large scale. Now we expect relief ourselves.

This issue also has broader aspects. The railroads cannot and will not function efficiently or increase their carrying capacities in accordance with needs unless they are supplied with the necessary rolling stock, machinery, equipment, and materials. Yet, /for many years we have been anxiously observing a gradual abandonment of the railroads and their needs by industry./ This is exemplified by what is happening with the construction of railroad cars, certain types of locomotives, trolleys, brake fittings, various electrotechnical products, spare parts for rolling stock, etc. Some plants, including even those traditionally linked closely to the railroads, such as the FABLOK--a name that after all is an acronym for "Fabryka Lokomotyv" [Locomotive Factory]--in Chrzanow, are abandoning production for the railroads, while others are not taking up that production. The production of new series of rolling stock is extremely slow to begin (sometimes taking as much as 15 or so years). We have already been waiting at least 6 years for the commencement of the construction of boxcars (that once used to be built by our ANTK [Rolling Stock Repair Plants]), and we have likewise been long awaiting--for 10 years--the commencement of the production of a series of electric train units for suburban passenger transit that are less energy-intensive and have a modernized design. We have long been complaining about the insufficient supply of spare parts for the railroads, as well as for motor transport, but what is happening recently has acquired the dimensions of a catastrophe.

[Question] All this is difficult to understand since the PKP is, next to the Soviet railroads, the largest railroad in Europe in terms of the volume of its operations. It is thus potentially a huge customer for many branches of industry, and an attractive one, considering that it usually orders products manufactured in large series. Perhaps the declining interest in the railroads is linked to their lack of modernity?

[Answer] Please, in France, in the FRG, and, closer to us, in Hungary and Czechoslovakia a sizable part of industry lives off the railroads and lives well at that. As for the technological progress and modernity of the railroads, they hinge precisely, and to a decisive degree, on how industry equips them. Our situation has been aggravated, in my opinion, by the economic policies of the past periods when new kinds of specialization were continually sought for various factories at the expense of occasionally neglecting fields in which our industry had gained a firm domestic and foreign reputation, assured sales markets, and favorable development prospects. Other branches of the economy, including exports (not always worthwhile and profitable) have attracted more interest than transport.

The analysis of this process, of its causes and effects, is a subject for scientists and publicists. As for myself, let me simply state that I do not foresee any chances for a correct development and thorough modernization of the railroads unless industry changes its attitude toward their needs. /For the [Polish] railroad system is too big to base itself on imports instead of on deliveries by domestic industry./ Our limited imports of rolling stock, almost exclusively from socialist countries, have been exclusively of a complementary nature rather than basic nature and have comprised small series of special-purpose vehicles, such as twin-deck cars, sleeping cars, dining cars, or high-capacity diesel locomotives. Under the present crisis, we have virtually suspended procurements of rolling stock from abroad.

[Question] You also mentioned a manpower shortage. It should seem that the economic reform and the curtailment of production at many industrial and construction enterprises would channel a copious stream of candidates for work in the service industry, including transport.

[Answer] We also had thought so, but so far nothing like this has happened. On the contrary, nearly 30,000 experienced and skilled railroaders availed themselves of the chance of earlier retirement with old-age pension--and we shall not soon fill this keenly felt gap. PKP enterprises at present employ 11,000 workers fewer than a year ago, and ZNTK enterprises, 9,000 fewer. Considering the years-long manpower shortage, I assess the present situation as critical. The rolling-stock repair plants are short 15,000 workers and the PKP railroad car repair shops are short 5,000 workers, and in addition there is a shortage of 20,000 workers needed to repair tracks and railroad buildings and facilities.

[Question] What are you doing to alleviate this situation?

[Answer] By way of emergency, we obtained a considerable increase in assistance by the military, especially in repair of tracks, bridges, and rolling stock. /In addition, we are trying to obtain approval for shortening the period of compulsory military service for those who undertake to work on the railroads./ We are carrying on an energetic recruiting drive among school graduates and developing our own vocational school system. I have appealed to the governors for assigning job seekers to the railroads, but for the time being the employment offices are sending us chiefly unqualified people or those who have railed elsewhere. Generally speaking and in the long run, the effectiveness of our employment policies--in the sense of retaining valuable workers, eliminating weak workers, and attracting promising workers--hinges on the improvement in wages, working conditions, and the housing situation of the railroaders. Within the limitations of the available funds and possibilities, we are making great efforts to progress more rapidly in each of these fields.

[Question] Let us return to what we can expect in the immediate future...

[Answer] All signs indicate that in the second half of the year the railroads will carry more freight than in a like period last year, but that this will not suffice to meet all the needs of the economy. Hence the necessity of an

absolute observance of the established /transport priorities, which apply to fuel, food, goods for agriculture, and exports, imports and transit goods./ The transport of harvested crops this coming fall, especially over short distances, will require--as in previous years--considerable participation of motor transport, and additional allotments of fuel must be found for this purpose. The matter is too big to ignore. And lastly there is the conclusion addressed to all railroaders and railroad customers: in the coming situation /every railroad car must be treated with much greater care than previously/; greater efforts must be made to prevent damage to it during loading, unloading, and shunting; the damage that occurs must be more rapidly eliminated; and rolling-stock demurrage on sidings, stations, and in front of semaphores must be reduced to the indispensable minimum. Moreover, consignees and consigners must understand that the railroads operate continuously and the operations of plant warehouses, depots, loading brigades, and one's own means of transportation should be correspondingly adapted. Our numerous customers must realize that /unless they succeed in organizing loading and unloadings on Saturdays and Sundays, they will not receive rolling stock on other days of the week/ because there is simply not enough rolling stock for all.

[Question] This sounds like an ultimatum, typical of a "seller's market," in this case the seller being the railroads with their services.

[Answer] Unfortunately, yes! In a situation of a shortage rather than surplus of carrying capacity, an irreversible loss of part of that scarce capacity cannot be tolerated just because a work-free Saturday is more important to someone than the interests of his plant, let alone public interest.

[Question] Now that the economic reform is on, it is the custom to inquire about the financial situation of your ministry.

[Answer] What is there to say! In the last few years and months the operating cost of transport has soared following the increases in wages and producer prices. As for the revenues--on 1 January 1982 new freight rates became effective. These rates were supposed to offset the cost of freight transport and provide a small surplus. But now after several months we find that these new rates would have to be increased by about 25 percent, since they are lagging behind the inflationary spiral of the prices we have to pay.

[Question] Then the prices of goods would again increase to allow for the increased cost of their transportation, and so on, ad infinitum. But recently mention has also been made of increasing passenger rates.

[Answer] Aside from the fees for the use of sleeping car berths and couchettes, this issue has been temporarily shelved by the government owing to social considerations. I am convinced that we shall reconsider this issue next year. Our deficit is soaring out of reach. Last year the state subsidized PKP and PKS passenger traffic to the tune of 34 billion zlotys out of its budget. This year the subsidy will reach nearly 90 billion zlotys. This is not surprising considering that, e.g., the passenger ticket rates at the PKP have remained unchanged since 1959 and the basic rates at the PKS,

since 1965. /Thus, ticket prices remain in no sensible relation to the entire current price environment./ It costs as much to buy a dozen grade-2 eggs as to travel second-class on a passenger train from Warsaw to Szczecin. A ticket for a train ride from Warsaw to Katowice, Krakow, Poznan, or Gdansk costs as much as a kilogram of strawberries at the peak of their season. And it takes as much to pay for a kilogram of the cheapest, "ordinary" sausage as to pay for a train trip of over 800 km, that is, across all of Poland and farther. There is no need to provide more examples illustrating the total absurdity of the present situation.

[Question] But after all, in most countries, public carriers, especially the railroads, operate at a deficit and are subsidized by either the state, which is interested in their maintenance and development, or by the transport companies themselves which offset the losses from passenger traffic with the profits yielded to them by freight traffic.

[Answer] True. In this country, too, balancing the cost of passenger traffic with the revenues from ticket sales hardly appears realistic, because it would require raising the rates to an extent that would hardly, if at all, meet with public acceptance. However, rational proportions must be restored between the prices of goods and various services and the prices or rates of transport services. After all, within the framework of the general economic reform, we are attempting to transfer prices from the sphere of abstractions to the sphere of the realities of our life and to restore their proper importance and functions. /We strive to regularize and deepen cost-effectiveness principles in settling accounts both between the state and the citizens and among the individual economic units./ Against this background, I see no reason why PKP and PKS enterprises should continue to provide services to citizens and other institutions or enterprises at virtually no charge or at prices that are only a fraction of their operating cost, while at the same time being obliged to beg for huge subsidies from the state budget.

I regard an increase in transport rates as inevitable, so that the only thing that remains to be discussed is the question of the date on which it is to be introduced. This will fundamentally affect the financial possibilities of current and development needs of transport enterprises, on the course and results of our negotiations with the bank, etc.

[Question] Will the rate increases also extend to monthly commuter tickets for workers?

[Answer] So far the price of these monthly tickets covers /barely/ one-fifteenth of the actual cost borne by the railroads. Moreover, the commuting workers themselves pay only 20 percent of that price, with the balance paid by their labor establishments. For a change, the monthly commuter tickets for PKS buses are not subsidized by labor establishments. Now, we want to introduce a uniform policy for both the PKP and the PKS: they are to provide (sell to) labor establishments monthly commuter tickets for their employees at a price equal to the total cost of 50 trips (25 trips to work and 25 trips home) on specified routes and in accordance with the new normal tariff. As to which part of the price will be paid by the labor

establishment and which part by its commuting work, that is a question they should agree upon between themselves; it is of no concern to the carrier.

[Question] Could not this lead to a situation in which one of two brothers living in the same house or one of two neighbors living in the same village, but employed and traveling to work in the same city but in different labor establishments would have to pay 500 zlotys out of his own pocket while the other would have to pay 1,000 zlotys?

[Answer] Please, it often happens that of two individuals with similar or identical qualifications, one earns more than the other, and this shocks no one. As for the amount of subsidy of the monthly commuter tickets by a particular labor establishment, that will depend on its financial situation, on the degree of eligibility of the commuting employees, on the possibility of replacing them with locally resident employees or those dwelling in the neighborhood, and so on--in a word, on factors which now, under the economic reform, are beginning to count and which shape up differently in different plants. This really is of no concern to us as carriers. When viewed from the social point of view, on the other hand, I share the opinion of the minister of labor, wages, and social services that, at least for some period such as a year, /some mandatory minimum subsidy of monthly commuter tickets by the plants should be defined, perhaps at the level of 20 percent of the new price of these tickets./ This would alleviate to some extent the painful consequences of the increases of transport prices to the budget of workers and provide a period of time for finding housing nearer to one's place of residence and, finally, this would prevent the excessive differences that might arise from one month to another in the situation of persons commuting the same distance but employed in different labor establishments.

I assume that such a settlement of the matter will, after a time, produce desirable changes in the scope and geography of commuting to work. I expect that the total number of commuters, especially of those commuting over long distances, will diminish, and that this perhaps will indirectly contribute to reducing the shortage of agricultural manpower that has been growing over the years, along with the shortage of manpower for the services industry, and further that criss-crossing commuting to work, which often is not objectively justified, will be markedly curtailed.

[Question] But people decide to commute not because they enjoy it but because they have to.

[Answer] Of a certainty, the two major reasons for the large scale of commuting are the difficult housing situation in the cities and the nonuniform geographical distribution of work establishments. But another affecting factor is a certain inertia, not infrequently fortuitousness, the unwillingness to accept changes, the sum total of habits and customs. All this can be respected, but someone must pay for it: why should it be the public carrier who pays?

[Interviewer] Thank you for the interview.

PRESS CONFERENCE ADDRESSES SOCIOECONOMIC PROBLEMS

Warsaw ZYCIE WARSZAWY in Polish 20 Aug 82 pp 1, 2

[Report by T.B.: "Press Conference in Government Spokesman's Office"]

[Text] (Own Information) The questions we are all discussing today are: how much money do we have (or do we lack), what can we buy with it, to what degree has our standard of living declined, for whom was it greater, for whom was it less and, when, finally, will these hard times end.

Such also was the topic--understood in the broadest sense--at the press conference in the Government Spokesman's Office. It was in the broadest sense because such a topic cannot be isolated from many others, namely, from matters tied to the functioning of the economy.

Consequently, the topic was difficult, and the views presented at the conference were not always in agreement with public feeling. The following ministers took part: Marian Krzak (finance), Zdzislaw Krasinski (prices); deputy ministers: Krzysztof Gorski (labor and wages), Lucjan Jaskolski (domestic trade) as well as the first vice chairman of the NBP [National Bank of Poland], Stanislaw Nieckarz.

Starting from recently published GUS [Chief Main Statistical Office] data, in which a decline in the standard of living during the last 7 months was fixed at 25 percent, Minister Krasinski admitted that the burdens of the crisis did not unfold as were forecast. Preparing the price compensations operation, he was convinced that the most impoverished families would not lose anything by it, while only the wealthiest and "average" people would sustain losses.

Meanwhile, the latest studies revealed that it happened otherwise. According to Minister Krasinski, the standard of living for the poorest declined by 5 percent, and for the richest about 50 percent. Incidentally, that last calculation obscures the fact that the richest now do not have access to various goods that are simply unavailable.

The mere 5 percent decline in the standard of living for the poorest families, seems typically "statistical." Here Minister Gorski, speaking on the compensation system, stated that it had been proven correct--as a factor compensating the cost of living--with regard to families with many children; on the

other hand, it did not protect the circumstances of single workers and, particularly, pensioners and annuitants.

The question of improving market stability was quite broadly presented. Minister Krasinski stated that, since March, the difference between the population's income and expenditures had decreased: in March, for every 1,000 zlotys in income, we spent 700 zlotys, while we currently spend 880 zlotys. Minister Krzak applied a different analysis: for every 100 zlotys in the second half of last year, there were goods for 71 zlotys in the stores; in the first half of the current year there were goods for 83.4 zlotys, and in the second half there will be goods for 93.2 zlotys. We know from another source, however, that production is not rising but falling, admittedly slower; thus the said balance arises, rather, from the rise in prices.

Besides, other data cited by Minister Krasinski attest to this: trade at present has available reserves valued at 277 billion zlotys. In order to fill store shelves, a reserve valued at 750 billion zlotys is needed; in other words, the commodity gap amounts to 473 billion zlotys.

At the same time, we still have the inflationary curve. Chairman Nieckarz even asserted that the situation cannot be called a balancing of the market, but an increase or acceleration of expenditures by the people. In July the dynamics in the rise of emoluments that is linked to the institution of rules by enterprises were observed: the higher the profit, the higher the wages. Still, the profits arose not from labor productivity, but from a rise in prices. There was also a rise in savings, but it has not been determined how much of the savings was willful and how much was forced. We began the current year at an inflationary curve amounting to 300 billion zlotys and will increase by 120 billion zlotys as a result of the aforementioned commodity gap. Where is this inflationary curve? There is also no precise perception of this question.

Minister Gorski introduced, among others, the matter of wages. The average wage currently operates in relation to the processing industry (the general average wage is inflated by the earnings of miners, whose average salary amounts to 21,000 zlotys). So, the average wage amounts to 8,253 zlotys. The so-called spirals occur in small-scale industry, while the lowest wages are earned by such industries as: clothing, leather and textile, in which the average ranges around 7,000 zlotys.

The Ministry of Labor and Wages is faced with dilemmas: there are pressures from large groups of workers, pensioners and annuitants to increase their payments, but the movements, going too far in this direction, might increase inflation and turn against precisely those most in need. The matter of incentives or incomes functions of wages has not yet been decided. The incentive system currently promoted has its good points and bad--the ministry will shortly put out a brochure that will present all the aspects of such a wage system.

The key to all of these unusually difficult problems is production and, specifically, its decline. It is now no longer explained by a shortage of

raw materials but by a shortage of labor. Journalists were interested in the cause of such a labor shortage (over 300,000), since unemployment was predicted in the past year, and the need for "displacement" of from 600,000 to 1.2 million people?

Minister Gorski cited the following causes of excessive employment: the drastic shortening of working hours thanks to the introduction of free Saturdays; sick leave; irregular production which requires more people to make up losses; and as it turned out, mass exercise of the opportunity for early retirement (600,000 people); and retaining people in plants longer in anticipation of an improvement in the economic situation. Many enterprises found themselves in a good situation after the increase in prices and increased peoples' wages. Reductions due to incompetence or bad work are not socially acceptable.

Minister Krzak made an optimistic prognosis. In his opinion, a tendency is appearing in our economy which is indicative of a stage of emergence from this crisis, and material conditions are rising to halt the decline in the standard of living. In the second half of the year, Minister Krzak expects such a turn of events that we will be able to speak of a growth in production relative to last year.

"In foreign trade," Marian Krzak asserted, "a distinct improvement occurred." The balance with Western countries is positive, though trade is taking place at a low rate. Minister Krzak strongly emphasized the need to reorient the economy toward export activity.

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SMALL-SCALE INDUSTRY TO PLAY GREATER ROLE IN ECONOMY

Bucharest REVISTA ECONOMICA in Romanian No 30, 30 Jul 82 pp 4-5, 17

[Article by Dr Corneliu Russu and Dr Alexandru Mihailescu, Institute of Industrial Economics: "The Place and Role of Small-Scale Industry Within the National Economy"]

[Text] The defining of the concept of small-scale industry in the context of the complexity and diversity of this form of activity and of the trends that are making themselves felt on a world level is not an easy task. In this regard, the Law on Small-Scale Industry offers solid elements of reference for specifying the activity's content and its limits of inclusion by stipulating the manner of subordination of the units of small-scale industry and the object of their activity. The defining element frequently advanced in the specialized literature devoted to this field--the units' size characterized by the number of workers, the volume of the fixed assets or the value of the output obtained by these units--proves to be, on a careful analysis, hard to accept as a sole criterion for differentiating the units of small-scale industry from those of large-scale industry.

We feel that other elements can contribute to the step of defining the concept of small-scale industry. We have in mind the detailing of the decisionmaking powers at the level of the different organizational links with regard to the technical-material supply, the orientation of production, the setting of prices and rates and so on, which would take into account to a greater extent the specific character of the economic activity in this field (determined by the wide range of the makeups of the units, that is, of the products and services that they must achieve, by the great mobility of the units and so on), or the supplementation of small-scale industry's range of functions with that of a complement to large-scale industry, a function present particularly in the economy of the developed countries.

The range of the functions specific to small-scale industry corresponds to the qualitative aspect of the activity performed in this field and can constitute a major benchmark in defining this concept. It must be specified that, in their entirety, these functions are characteristic of small-scale industry as a field of the national economy, but that one or another of the respective functions can be absent at the level of the units belonging to the different branches of small-scale industry, a fact that increases the difficulty of strictly differentiating these units.

Of course, in order to provide clarifications of an organizational nature or regarding the work procedures, it is possible to adopt some delimitations and specifications with a regulatory character (such as, for example, in reference to the size of

the units of small-scale industry, to the functions fulfilled and so on) of a nature to facilitate the identification of one unit or another belonging to small-scale industry. /However, the essence of the problems of small-scale industry is not of an organizational nature but of a functional and economic nature/ in boldface, in the sense that this important field of the national economy requires an operating mechanism which, naturally, must fit into the general coordinates of the organization, management and planning of all economic and social life in our country but which, at the same time, must correspond as much as possible to the characteristics of the respective field.

Functions, Objectives, Responsibilities

The growth of the role of small-scale industry in the current stage is determined by the complex process of improvement in the social division of labor, of specialization and cooperation in production, which dictates the necessity of finding a suitable balance between the outputs achieved in units of different sizes. In this context, it appears necessary for the relations of collaboration and cooperation in production to be intensified and to acquire a new substance. As the secretary general of the party, Comrade Nicolae Ceausescu, stated, one of the big problems of small-scale industry "is that of being engaged in activities that cannot be achieved in large-scale industry, acting in collaboration with large-scale industry, however, as small, specialized units. We must do this especially in the fields of electronics and machine building, achieving in small units a number of products, parts, subassemblies and apparatus in small series."

In view of the importance of this problem and the wide prospects that are opening up for the respective sector, in accordance with the instructions in the party documents, a subject concerning the role and the directions of development of small-scale industry in our country taking into consideration as well the experience of other countries has been provided in the research plan of the Institute of Industrial Economics. In the following, we will try to synthesize some of the conclusions of the study on those functions of small-scale industry that correspond to the requirements of a modern, flexible and competitive economy. This is in contrast to the view, whose accreditation is still occasionally attempted, according to which a peripheral role in the economy is reserved for small-scale industry, a role reduced to the fulfillment of functions which are characteristic of a primary stage of development and which do not allow it to fully utilize its potentialities.

The current stage of development of the national economy, characterized by the accentuation of the qualitative aspects of economic growth, necessitates the bringing of the following functions of small-scale industry to the forefront:

Activities Complementary to Those in Large-Scale Industry

Under the conditions in which the technical and economic performances of industrial production depend to a great extent on the degree of specialization of it, on the providing of the manufacture of products in big series, it is necessary to achieve a more and more marked complementarity of small-scale industry in relation to large-scale industry from two viewpoints:

That of supplementing the range of finished products achieved by national industry in big series with various products needed by customers in small quantities;

That of producing in separate units parts and subassemblies that enter into the composition of products whose assembly is done in the units of large-scale industry.

In this regard, some products of medium or low technicality achieved in units of small-scale industry in our country should be mentioned, such as, for example, flues for hot air and combustion gases, honeycomb-type metal grates for thermoelectric power stations, processing lines for canned vegetables and fruit, accessories needed in the making of furniture and so on. While the above-mentioned products represent only a very small part of the range of those achieved at present in the units of small-scale industry, it is no less true that both the possibilities of these units and the needs existing in the economy are much greater than what has been achieved thus far.

The accentuation of the specialization of production necessitates the expansion of the cooperation between the industrial units of different sizes/ in boldface/. While the specialization for the final phases of achieving the products, of assembling them, requires the existence of big enterprises, the achievement of the preliminary manufacturing phases can also take place within units of smaller dimensions. This possibility is created by the specific character of the action--at present--of technical progress, which favors greater autonomy in the manufacturing phases within middle-sized and small enterprises. In this regard, the experience of strongly industrialized countries, in which the existence of big and very big enterprises is accompanied and even conditioned by the existence of a large number of small and middle-sized enterprises, is significant. The latter revolve around the big ones, achieving--to order and under their technical control--a wide range of parts, components and subassemblies needed for manufacturing the final products under conditions of maximum specialization of the production process. For example, the Renault firm bought, at one time, over 20,000 components for its assembly lines from 400 subcontractors with which it had permanent ties of cooperation and from another 1,500-2,000 subcontracting units with which the cooperation was intermittent. Significant achievements are to be noted in this regard in our country too. In the same field of reference, for instance, the Pitesti Automobile Enterprise cooperates with a number of enterprises of different sizes belonging to the Central of the Automobile Industry or other industrial centrals and to the subsystems of small-scale industry. One of the important forms of organization of the process of cooperation is the one in tandem, with subcontractors of grade one, grade two and so on. In certain industrial branches, the subcontracting can extend to the utilization of homework. For example, the optics industry in Japan achieves the grinding of lenses for cameras by using homework.

The Growth and Diversification of the Production of Consumer Goods and Services

As economic practice attests, in proportion to the development of society, there has been a transition from an undiversified primary demand for goods and services to a developed one, characterized by a more and more complex structure. On the other hand, the requirements connected with the achievement of products with high technical and economic performances have caused the accentuation of the process of specialization of production. The two trends--that of diversification of the demand and that of specialization of production--necessitate that a greater and greater number of products and services be achieved by units of small dimensions. In this way, the large number itself of units of small dimensions, with a more or less advanced degree of specialization of production, constitutes a factor in providing a diversified

range of goods and services. It must also be taken into account that not only highly technical products but also some simpler ones enter into the composition of the population's demand for goods and services. The achievement of these products does not presuppose the existence of special technical equipment or a high degree of technological or product specialization in the respective units. Under these conditions, the meeting of the demand for various simple products can only devolve upon small-scale industry. Indeed, the fact should be noted that small-scale industry is directly involved in the production of the majority of the types of consumer goods and services for the population, except for highly technical durable goods manufactured in very big series.

With regard to the important contribution of small-scale industry to achieving a great diversity of products and meeting the population's demand, especially for small articles, it is significant that through the restructuring of just one of the subsystems of small-scale industry (the putting of the enterprises of local industry under national subordination in 1977) 5,000 products of this sort, whose absence was felt in the market, were taken out of production. The important role that small-scale industry has in the diversification of production also derives from its possibility of launching on a small-scale the manufacture of new products (consumer goods and articles for home use) whose segments of the market are still insufficiently known. By means of such testing of the population's demand, the avoidance of the losses caused by the production of greater quantities of products in relation to the requirements of the customers is ensured. At the same time, the adjustment of the characteristics of the products to the requirements of the population, in the prospect of the later expansion of production, is secured.

The Growth of Flexibility and of Adaptability to the Requirements of the Market

The rapid and often unforeseeable changes, in terms of direction and intensity, that are occurring in the economy, with regard to the utilization of primary resources and of new production technologies, or as a response to uncontrollable phenomena that are occurring in the world economy, lead to the necessity of finding efficient solutions for adapting production to the requirements of the domestic and foreign markets. These changes are also determined by the natural aspiration of the customers to have goods and services of a higher and higher quality, which would require a lower expenditure per unit of useful effort. Under these conditions, an important role devolves upon the units of small-scale industry, either in their capacity of producers of finished products of a relatively low complexity or as suppliers of components or subassemblies that are subsequently integrated into products of a high complexity and technicality in the big enterprises. The objective basis of the greater possibilities that small-scale industry has in this regard is provided mainly by:

/The mobility of the type of manufacturing of the units of small-scale industry/ [in boldface], attainable promptly both through measures adopted by the higher-ranking bodies and through measures adopted within these units. Given the low volume of production factors in the units of small-scale industry, it is possible to replace them even totally, if--for objective reasons--it is necessary to radically change the type of production of these units. As a rule, they have a less rigid production process than the big enterprises, which have processing lines of big proportions, with a high level of mechanization and automation, but hard to adapt to the smallest changes in the structure of production, hindering the process of renovation and diversification of it;

/The mobility of the work force in small-scale industry/ [in boldface], in achieving different operations, components or products, provides for its adaptation with ease to frequent changes in the structure of production. Often being directly confronted with the major problems of the respective units, with regard to furnishing raw materials, supplies, energy, tools, devices, dies and so on, carrying out the production process proper and ensuring the sale of the output, the workers in the units of small-scale industry can manifest--with full knowledge of the matter--extra initiative in solving these problems.

The characteristics of flexibility and adaptability are proper to the small units of light industry in particular. However, the same judgment is also valid for a number of units of small dimensions in the machine-building industry or the metallurgical industry. For example, in the specialized literature it is judged that ministeel-works (with an average capacity of about 200,000 tons of steel per year) are characterized by a pronounced technical and organizational flexibility, which is manifested with regard to the composition and the manner of utilization of the raw materials and the production apparatus, the range of products manufactured and the concrete manner of organization of production and labor.

In order for specialization--a process necessary for increasing the technical and economic performances of production--to not come into contradiction with the necessity of providing suitable flexibility in industry, it is advisable for it to be oriented especially toward the units of small dimensions. Precisely due to the large number of these units it is possible to provide the necessary diversity of production and the capacity for adaptability to the requirements of the market and of the national economy.

The Prompt Assimilation of the Elements of Technical Progress into Production

Small-scale industry can contribute to the modernization of the machines and equipment achieved by large-scale industry by producing at qualitatively improved parameters parts and subassemblies that enter into the composition of the respective machines and equipment. In this way, it can be asserted that small-scale industry also contributes to the creation and promotion of technical progress in the economy and consequently it must benefit from higher technical equipping and from the conditions that would allow it to utilize the work force with corresponding training.

The small industrial units can represent important connecting links between the creators of inventions and innovations, on the one hand, and large-scale industry, on the other hand. The possible losses connected with uncertainty and risk, specific to the assimilation of the elements of technical and scientific innovation into production, can be minimized if, before being introduced into the production processes in large-scale industry, they are tested on a limited scale in small-scale industry. In this way, small-scale industry can represent a true experimental laboratory for large-scale industry. In fact, in certain economic sectors in the strongly industrialized countries, the research activities are carried out more intensely in the small and middle-sized units than in the big ones.

The experience of the developed countries shows that there is a complex relationship between the size of the industrial enterprises, the level of specialization of them and the possibilities of promotion of technical progress. The transition to manufacturing, on a suitable technical and technological basis, qualitatively new products with improved performances does not presuppose the increasing of the dimensions of

the industrial units at any cost, but the rational utilization of the many possibilities of diversifying them, in terms of size and type of manufacturing, and, implicitly, of specializing them.

The Better Utilization of Local Material and Labor Resources

The better utilization of local resources can be achieved within the two types of units of small-scale industry:

In specialized units, which revolve around the big industrial enterprises, to which they furnish components and subassemblies. However, this category of units is limited in our country, but in the future it could be expanded considerably, which is, in fact, characteristic of the strongly industrialized countries;

In units of small-scale industry with a relatively wide type of production, in which, to a considerable extent, finished products at a low level of technicality, characteristic of the current small-scale industry in our country, are achieved.

The suitable development of the activities of small-scale industry has as a consequence the growth of the degree of utilization of labor resources, especially in villages, favoring the stabilization of the employment of the work force in the rural area and increasing the possibilities of meeting the need for manpower for agriculture in the optimum periods for doing the agricultural work, as well as the reduction of commuting, which leads to the obtaining of positive economic and social effects. In addition, the expansion of homework contributes to the obtaining of favorable economic effects and to the solving of problems of a social order.

The utilization of local material resources is oriented toward the processing of the following categories of resources: a) the local agricultural production that is suited to preindustrialization, having this purpose even now, but after it is taken into the central state supply as a primary resource; b) the reusable resources recovered from the production and consumption processes whose utilization in big enterprises is not as efficient as in units of small-scale industry or has a much lower efficiency than that specific to the basic production process; c) the mineral material resources existing in deposits of small sizes whose exploitation on a large scale is not justified from an economic viewpoint; d) the unconventional energy resources that have a wide distribution on a territorial basis; e) other local resources (gravel, sand, clay, spontaneous flora, sporadic crops of osier, sorghum and so on).

Of course, insofar as small-scale industry in our country achieves products of greater technicality, making its contribution--by furnishing parts and components--to the achievement of very complex products, it must benefit from the necessary resources, not just from local ones.

Consequently, it can be judged that, in the current stage and in the future, small-scale industry in our country has an important role to fulfill in improving the division of labor within the national economic complex, a possibility confirmed by some achievements obtained thus far in our economy and by the experience of the strongly industrialized countries.